

10 GEORGE V

SESSIONAL PAPER No. 90

A. 1919

CORRESPONDENCE

REGARDING

GRAND TRUNK RAILWAY COMPANY ACQUISITION

AND

MEMORANDA RESPECTING THE SAME

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

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1919

[No. 90—1919]

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GRAND TRUNK RAILWAY
COMPANY ACQUISITION

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TWO HUNDRED AND FORTY-FIVE PAGES



AWATTO

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1816

[No. 20]

OTTAWA, Jan. 24, 1918.

PERLEY, Dominion,
London.

B. 25. Confidential. Following for Smithers, President Grand Trunk. Begins. Most Confidential. Public opinion greatly exercised by proposed increase of railway rates. We are hearing appeal to-day from Railway Board's decision. Having regard to all conditions which confront the Government it seems highly probable that circumstances will compel us to take active steps toward nationalization of Canadian railways in immediate future. Please take into consideration terms upon which undertaking of Grand Trunk and Grand Trunk Pacific might be acquired by Government. Suggested basis of compensation is payment of annual sum to be distributed by directors or some other authority constituted by Shareholders. In estimating fair amount, you must take into consideration view of Railway Department that sums have been appropriated to dividends during several years past which ought to have been expended in securing higher standard of operation and maintenance. Liability under guarantee to the Grand Trunk Pacific must also be taken into account. Ends.

BORDEN.

LONDON, January 28, 1918.

PRIME MINISTER,
Ottawa.

P. 39. Confidential. Smithers having special meeting with Board to-morrow consider matter.

PERLEY.

LONDON, Feb. 2, 1918.

PRIME MINISTER,
Ottawa.

P. 45. Saw Smithers twice. Have now received G. T. Railway reply which have discussed with him. They are cabling it to their president who is authorized discuss matter. We have therefore arranged have him hand it to you save double cabling.

PERLEY.

GRAND TRUNK RAILWAY SYSTEM.

MONTREAL, QUE., Feb. 14, 1918.

Confidential.

The Right Hon. Sir ROBERT L. BORDEN,
Ottawa.

DEAR SIR,—I am directed by Mr. A. W. Smithers, Chairman of the Board of the Grand Trunk Railway Company of Canada, to convey to you the following reply to the cable communication from you conveyed to him through the High Commissioner of Canada, Sir George Perley:

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"Your cable message received through the High Commissioner of Canada was considered at a Board Meeting specially called on January 29th and further considered at Board meeting to-day.

On behalf of Board, I beg respectfully to emphatically protest against view of the Railway Department as to deficient up-keep and overpayment of dividends, and beg that President Kelley be heard on this, although immense work this Company, at great loss, has done for country since outbreak of war, ought to show view is absolutely unjustified.

As to liabilities for the Grand Trunk Pacific, those liabilities chiefly arose from the Government allowing Canadian Pacific, and, to an infinitely greater extent, Canadian Northern, to build lines into the new country which we were asked and assisted by the Government to develop by building Grand Trunk Pacific. This excessive railway building by competitive companies undertaken after Grand Trunk Pacific was commenced, led to greatly increased demand for materials and labour, leading to increase in cost two or three times amount contemplated from Grand Trunk Pacific was sanctioned. Yet, while the Canadian Northern Railway, the prime cause of our troubles, has been taken over by the Government, and relieved of all liabilities, it is apparently suggested Grand Trunk should assume some part of the liabilities arising out of bargain with the Government which action of Canadian Northern, assisted by the Government, rendered it impossible to carry out. Doubtless there were pressing reasons why Government felt bound to extricate Canadian Northern, but I respectfully and earnestly ask,—Would it be right, because the capital for the Grand Trunk Pacific was obtained from the British investor on favourable terms for Canada and without incurring liability to big financial institutions in Canada or elsewhere, that the British investor should suffer and not be treated by the Government in similar manner to the Canadian Northern. In the opinion of the Board it is only bare justice that the Grand Trunk Pacific should be taken over by the Government as in the case of the Canadian Northern, but Board do not ask, as in that case, for any consideration for the Grand Trunk Pacific common stock.

With regard to the proposal in your message; Board feel considerable difficulty in naming a sum which shall compensate for the blotting out of the possibilities of the future in such a rich and undeveloped country as Canada, the value of which has been impressed on the British investor by Canadian statesmen and by the press over long course of years. Consequently, Board strongly feel it absolutely necessary that any arrangements shall secure adequate compensation to the ordinary shareholders for sacrifice of their interest in the potential value of the future. Having their views in mind, and with every desire to meet the Government, Board suggests following terms which they would recommend to stockholders.

The Government to take over all the obligations of the Grand Trunk Railway Company of Canada, including fixed charges and debenture stock, and to pay annual sum as from January 1, 1917, of £1,084,200. This sum would pay the dividends on guaranteed and preference stocks. Government in addition, to pay annually 1 per cent on the ordinary stock from 1st January, 1920, a further 1 per cent from 1st January, 1925, and a final $\frac{1}{2}$ per cent from 1st January, 1930.

I beg in conclusion to bring to your recollection following facts. The only assistance Grand Trunk has received from the Government in 65 years was contribution of \$15,000,000 towards building line to Portland which was done at the request of the Government. This assistance compares with \$347,000,000 received by the Canadian Pacific in 35 years, \$300,000,000 received by the Canadian Northern in fifteen years and \$114,000,000 received by the Grand Trunk Pacific in 15 years.

(Signed) ALFRED W. SMITHERS,
Chairman.

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Mr. Smithers also directs me to say that his reply was sent through my office at the suggestion of the High Commissioner of Canada.

I shall hold myself in readiness to attend any conference which you may desire with me in this matter.

Yours faithfully,

HOWARD G. KELLEY,
President.

GRAND TRUNK RAILWAY SYSTEM.

MONTREAL, Feb. 26, 1918.

Rt. Hon. Sir ROBERT L. BORDEN, P.C., G.C.M.G.,
Ottawa.

DEAR SIR.—There have recently appeared in the press in some districts, and at public meetings, so many erroneous statements in respect to the condition of the Grand Trunk Railway, and the propriety of its dividend payments in the past, that I feel constrained, in the interests of the shareholders, to request the privilege of presenting personally to yourself and the Council, the actual facts as shown by the records of the Company.

The interests of the shareholders of the Grand Trunk property are of such wide financial importance, and have extended through so many years in the upbuilding and development of Canada that I know the appreciation of the great good for Canada resulting from these investments will receive the most earnest attention of the Government.

It is, however, impossible to give due consideration to their equities with a full knowledge of the actual facts.

I submit, with the utmost respect, that these facts are not known, either to the Government or to the people at large; therefore, any consideration which may be given to the railway question at this time, could not be complete nor could such consideration proceed upon equitable lines in so far as the shareholders of the Grand Trunk Railway are concerned, without a full explanation of the actual action taken by the Directors and the management in conserving the property, maintaining its efficiency in the public interest, and of the moderation of the returns made to its owners.

I remain with the utmost respect,

Faithfully yours,

HOWARD G. KELLEY,
President.

LONDON, March 1, 1918.

PRIME MINISTER,
Ottawa.

Smithers tells me G. T. Ry. Statement would in ordinary course be issued on 15th. In view very poor statement Board would feel obliged explain this due to heavy increased cost and inability obtain increase rates. Smithers anxious say nothing embarrass Government—says would make position easier in case Government can come to no conclusion during next two weeks if he stated negotiations were proceeding with Government and hoped for satisfactory result. He feels sure bare announcement of bad results would lead to great agitation in Press and shareholders. Have you any objection to this course or any suggestion make regarding it.

PERLEY.

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OTTAWA, ONT., 5th March, 1918.

PERLEY, Dominion,
London.

B. 41. Confidential. You are authorized to make the following proposal to Smithers without prejudice in case it is not accepted. First. Government will take over Grand Trunk and Grand Trunk Pacific and acquire all their assets. Second. Government will relieve the Grand Trunk Company from its liabilities in respect to the Grand Trunk Pacific and from its obligations to operate the National Trans-continental Railway. Third. The Government will also assume other liabilities and obligations of both Companies. Fourth. Government will make an annual payment to the Grand Trunk Company of two and a half million dollars for the first three years, three million six hundred thousand for succeeding five years, and three million six hundred thousand dollars thereafter. These sums would be distributed by Grand Trunk management as they may determine among holders of four per cent guaranteed and other stocks. Fifth. The acquisition of the assets of the Grand Trunk might be carried out by long term lease renewable perpetually with rental corresponding to annual payments above mentioned. Sixth. If Grand Trunk Company declines to accept the offer above set forth we are prepared to leave amount of annual payment to arbitration. Please inform Smithers that this is more considerate treatment than that accorded Canadian Northern as in that arbitration the amount payable is limited to ten million dollars although the award may considerably exceed that sum.

BORDEN.

LONDON, March 9, 1919.

PRIME MINISTER,
Ottawa.

P. 70. Smithers has asked me to transmit to you following cable in reply yours of 6th. Begins:

"On receipt of your message through High Commissioner I consulted some of my colleagues who looking to the terms offered by you, agreed with me it was unnecessary to call formal Board before replying. We are deeply disappointed at the counter-offer to that which we made at your request and I beg most respectfully to say that whatever the consequences, the Board could not recommend such an offer for acceptance. The utter inadequacy of the offer may be gauged by the fact that for the ten years ending December 31, 1916, our average net earnings over fixed charges amounted to 915,500 pounds per annum. The C.N.R. has been relieved of all liabilities by the Government and only a well defined question has been left to arbitration namely, what amount should be paid for \$60,000,000 of common stock representing no actual cash, whereas in our case your offer amounts to the immediate wiping out of the value of a great portion of first preference and whole of the second and third preference and ordinary stocks representing even at to-day's prices the lowest for many years, nearly 6,400,000 pounds and representing over eleven million pounds cash actually raised in England and spent in Canada." Ends.

PERLEY.

OFFICES OF THE WAR CABINET,

2 Whitehall Gardens, S.W.,

11th July, 1918.

Dear Mr. SMITHERS,—Some time ago the Government of Canada was informed on behalf of the Board of Directors of the Grand Trunk Railway Company that this Company would not be able, without Government assistance to meet certain maturities falling due on the 1st and 15th of the present month.

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It was thought of advantage that representatives of the Government should, on the occasion of their visit to England, to attend the Imperial War Conference, take the opportunity of conferring with yourself and your directorate on the general subject of Grand Trunk obligations and finance. Accordingly the Hon. Mr. Calder and myself have had four conferences with you, at two of which you were accompanied by certain associates on the Board.

At the last conference you suggested that I should lay before you in writing the position taken by the Government and, in as definite a form as possible, its concrete proposals.

It may be assumed that the difficulties in which the Company now finds itself arise from two main causes:—

(1) the obligations into which the Company entered in 1903 and 1904 with respect to the Grand Trunk Pacific Railway Company;

(2) war conditions as to operation and finance.

As to the latter cause it is not unfair to say that its incidence has fallen chiefly, if not wholly, in the years 1917 and 1918. On the contrary, the difficulties of the Grand Trunk Railway Company, which are the direct outcome of its Grand Trunk Pacific obligations, are of much longer date. This latter Company is in every sense subsidiary to, and its stock is wholly owned by the Grand Trunk Company. To this subsidiary Company the Government of Canada came, by way of assistance, as far back as 1909, with a loan of \$10,000,000. Another loan of \$15,000,000 was made in 1913. A further loan of \$6,000,000 was made in 1914 on a pledge of Bonds. Its securities were further guaranteed by legislation of that year to the extent of \$16,000,000. In 1916 a loan of \$8,000,000 was made. In 1917 a loan of \$7,500,000 was authorized and advanced and in the spring of this year a further loan of \$7,500,000 was authorized by Parliament. Meantime the ever-increasing interest obligation binding on the Grand Trunk Railway Company towards its subsidiary Company were not paid by the Grand Trunk Railway, but were taken care of out of the proceeds of loans thus made by the Government of Canada. These obligations at the present time amount to very considerably over \$5,000,000 per annum and in January, 1923, increase to over \$7,000,000 per annum. In the same conjunction it must be remembered that the Grand Trunk Pacific Company has not assumed or attempted to discharge its rental obligations to the Government of Canada with respect to the National Trans-continental Railway, which obligations while not formally assumed by the Government, have in practice been shouldered by the Dominion. This extra burden is a matter of very considerable magnitude.

I refer to the outstanding facts related in the preceding paragraph for the purpose of indicating what has through recent years been the attitude of the Canadian Government and people toward Grand Trunk enterprises.

It is at this point that the Canadian Government is invited to enter upon a still wider field of assistance by assuming liabilities in respect of Grand Trunk securities themselves. Through the course of the various steps recalled above, public opinion in our country has become more and more opposed to a continuance of the practice of assisting financially railways that were in private hands. Consequently at the opening of our negotiations we stated to you that we did not believe that continued further assistance under present conditions could be justified.

In order, however, that there might be reasonable opportunity for negotiation, we recommended to the Minister of Finance that funds be provided to enable the Company to meet maturities falling due in July. This has been and is being arranged.

Throughout the negotiations and indeed prior thereto, it has been made clear to your company that the obligations of the Grand Trunk Company to the Grand Trunk Pacific Company could not be ignored and that the Government could not undertake to assume the indebtedness of and to operate the Grand Trunk Pacific and branch lines thereof, and to relieve the Grand Trunk of responsibility therefor, while the

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Grand Trunk Railway itself, as a subsidiary of which and indeed as an extension of which the Grand Trunk Pacific was built, remained in independent hands. Accordingly, in the month of February last, after careful consideration and in pursuance of the recommendation of what is commonly known as the Drayton-Acworth Report, there were made to your Company the following proposals:—

- (1) The Government to take over the Grand Trunk Pacific Railway and branch lines and the Grand Trunk Railway Company; to acquire all assets, and to assume all obligations of both companies.
- (2) The Government to make annual payment of \$2,500,000 for the first three years, \$3,000,000 for the succeeding five years, and \$3,600,000 annually thereafter; such sums to be distributed by the Grand Trunk management, as they might determine, among holders of 4 per cent guaranteed and other stocks.

It was intended that the taking over should be by rental over a long period of years, as might be agreed, with a provision for purchase.

Should such terms not be accepted, it was suggested that the amounts in question might be submitted to arbitration. These proposals met with no acceptance.

Our present conference, extending over the past month, have resulted in little progress—the only practical step being indeed the assistance referred to above as advanced by the Government. As intimated above, such assistance cannot under present conditions be continued.

We are now prepared to abide by the proposals submitted to you in February last as to acquisition or we are prepared on behalf of the Government to submit the entire question of remuneration to a Board of Arbitration on the following general terms:—

- (1) The Board to consist of three persons; one to be appointed by the Grand Trunk Company, one by the Government of Canada, and the two so appointed to select a third, or, if they fail to agree, the third to be selected by a majority of the following: the Judge of the Exchequer Court of Canada, the Chief Justice of the Supreme Court of Canada, the Chief Justice of the province of Ontario.
- (2) The Board to have full power as to the procuring and acceptance of evidence.
- (3) The award to be by way of annual rental for a term of 999 years; the Board to have power to vary the rental for two or more periods of years. The Government to have the option of purchase on the basis of and during the term of the final rental at the end of any year and on one year's notice at twenty-five times the annual final rental.
- (4) Conditions arising or that have arisen out of the war not to be taken into account in determining the rental value.

Should the Company desire, the Guaranteed Stock may be treated as an obligation in the same way as the Company's bonds.

I would be glad to be advised whether the above specific proposal is acceptable or if not, whether the general terms of arbitration outlined above are satisfactory. Should either alternative be favourably received we may then enter upon discussion and negotiation as to further necessary details.

Yours very truly,

(Sgd.) ARTHUR MEIGHEN.

ALFRED W. SMITHERS, Esq.,

Chairman of the Board of Directors,

Grand Trunk Railway Company,

9 New Broad street, E.C.

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GRAND TRUNK RAILWAY COMPANY OF CANADA,
 DASHWOOD HOUSE, 9 NEW BROAD STREET,
 LONDON, E.C. 2, July 22, 1918.

Dear Sir ROBERT BORDEN,—I received a letter from Mr. Meighen dated July 11, which was not, however, delivered here till July 15. I acknowledged the letter to Mr. Meighen immediately, and said I would submit it to my Board for consideration. This I did at the meeting of the Board on Friday, July 19.

A question has been raised as to what really are the terms offered in view of the offer made in the last paragraph but one of the letter, to take over as an obligation the Guaranteed Stock of the Company, and I think we should know exactly what is intended. Are proposals 1 and 2 on page 5 of the latter to be read as applicable in that case with the necessary substitution of the words "among holders of the Company's stock" in lieu of "among holders of 4 per cent Guaranteed and other Stocks?"

Yours faithfully,

(Sgd.) ALFRED W. SMITHERS.

The Right Hon. Sir ROBERT L. BORDEN.

SAVOY HOTEL,

LONDON, W.C. 2, July 29, 1918.

Dear Mr. SMITHERS,—In your letter of the 22nd instant you referred to Mr. Meighen's letter to you of the 11th idem, and raised a question concerning the meaning to be attached to the last paragraph but one of that letter.

The answer is that the paragraph in question is applicable only in the case of arbitration, that is to say, if the Grand Trunk Railway Company accept the alternative proposal to submit the entire question of remuneration to a board of arbitration, the Guaranteed Stock may, should the Company desire, be treated as an obligation in the same way as the Company's Bonds. This offer as to the treatment of the Guaranteed Stock does not apply, however, to the proposals made to your Company in the month of February last. Those proposals still stand in the form in which they were made without modification, and are to be regarded as the alternative to the arbitration proposal.

Yours faithfully,

(Sgd.) R. L. BORDEN.

ALFRED W. SMITHERS, Esq.

GRAND TRUNK RAILWAY COMPANY OF CANADA,

DASHWOOD HOUSE, 9 NEW BROAD STREET,

LONDON, E.C. 2, August 2, 1918.

Dear Sir ROBERT BORDEN,—I received a letter from Mr. Meighen dated July 11 on July 15. I acknowledged the letter to Mr. Meighen immediately, and said I would submit it to my Board for consideration. This I did at the meeting of the Board on Friday, July 19. A question was then raised as to the interpretation of the last paragraph but one of Mr. Meighen's letter. As Mr. Meighen had left for Canada, I asked you for an explanation which I have received in a letter from you dated the 29th July.

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I now wish to point out the first paragraph of Mr. Meighen's letter conveys a totally wrong impression as to the reason for the opening of negotiations with the Government with regard to the purchase of the Grand Trunk Railway. The real commencement was when I received through the High Commissioner a cablegram from you on the 25th January asking the terms upon which the undertakings of the Grand Trunk and Grand Trunk Pacific might be acquired by the Government. I immediately called a special meeting of the Board, which took place on January 29, at which your request for terms was carefully considered; further consideration was adjourned to February 1, when the Board agreed to terms of sale of the Grand Trunk, which they would recommend the proprietors to accept, and which terms were cabled to Mr. Kelley for transmission to you with a full statement of our case. It was not until the 7th March that I received a letter from the High Commissioner stating he had received a cablegram from you authorizing him, on behalf of the Government, to make a counter proposal to our offer. On the 8th March I replied, after consultation with my colleagues, that we could not recommend such an offer for acceptance.

On instructions from me, Mr. Kelley had several interviews with the Minister of Railways and yourself. On the 8th April Mr. Kelley cabled me that in an interview with the Minister of Railways, the Minister intimated that perhaps it would be best to have negotiations finally transferred to England in June. In the House of Commons at Ottawa on May 15, it is reported you said, negotiations would be continued during the summer in England. The press in both Canada and England commented on these statements, and the public and shareholders looked forward to negotiations being resumed here with you and your Ministers.

I first met Mr. Meighen and Mr. Calder by appointment on June 17, and again on June 19. At this latter meeting, it was decided to arrange a meeting between yourself and Ministers and the Board. As it was understood you were leaving for France for a few days, the meeting was fixed to be at the Company's Office on June 25. Owing to some misunderstanding on the part of Mr. Meighen, the meeting did not take place on that date, but did take place on June 27. At this meeting, the question of meeting the July payments of fixed charges was discussed. You and your Ministers were furnished with particulars of the Company's requirements for July, and you promised to send a cable message to the Finance Minister at Ottawa. In response to your message, we received £122,000 through the Bank of Montreal to meet our requirements on the 1st July, I then received a letter from you dated June 20, in which you expressed the wish that I would resume negotiations with Mr. Meighen and Mr. Calder. I replied, I should be glad to take up consideration of matters whenever Mr. Meighen and Mr. Calder could attend. On July 4, I received a letter from Mr. Meighen's Secretary, saying Mr. Calder would not return from France till Saturday, July 6. A meeting was finally arranged between Mr. Meighen and Mr. Calder and a committee of the Board on July 8.

Mr. Meighen and Mr. Calder met Mr. Clutton Brock and myself at the Company's Office on July 8. We had a long discussion, but in the end Mr. Meighen said they could not alter the offer of the Government. After we had been led to expect negotiations would be resumed in London, this statement of Mr. Meighen's was a great surprise. I accordingly asked for an interview with you which you kindly granted at 6.30 in the evening of July 8. I told you of Mr. Meighen's statement, and pointed out how impossible it was to continue negotiations when one party to the negotiations could not make any move. I told you I believed terms could be arranged, which would be satisfactory to the Government. I pointed out to you our difficulties in regard to the Grand Trunk arose from circumstances entirely beyond our control. You said several members of your Cabinet were meeting you that evening, and you would discuss the matter with them.

The next day, July 9, I met Mr. Meighen and Mr. Calder at 11.15 a.m. Mr. Calder informed me that the ministers who met you the previous evening had had a

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long discussion on the situation, and that they came to the conclusion it was impossible to alter the Government terms except after a discussion when they returned to Ottawa in full Cabinet. This delay is most unexpected and most unfortunate. As it is now clear, negotiations must be resumed in Ottawa, and knowing how fully occupied you must be, I will not now deal further with Mr. Meighen's letter, which is practically the offer made in March on behalf of the Government through the High Commissioner.

It is now necessary to put before you the financial position of the Grand Trunk Railway Company; a position which has arisen entirely from their being compelled to carry an enormous traffic at ruinously increased expenses without an equivalent increase in rates. In the year 1916, we earned £1,200,000 over and above fixed charges; of this amount we put £400,000 to a contingent reserve fund. In 1917 we took £1,000,000 increase in gross traffic over the amount of traffic of 1916, which had then been the biggest traffic in the history of the company. Had the traffic of 1917 been carried at the rate of working expenses of 1916, viz: 73.60 per cent, the net earnings of 1917 would have been £1,500,000 over fixed charges, instead of which, owing to the enormous increase in the cost of wages and coal and all materials, the rate of working exceeded 83 per cent and no revenue was earned after providing for fixed charges. From April, 1917, to the close of the year, we made every possible effort to obtain from the Railway Commission in Canada, permission to increase rates to meet the extraordinary increase of expenses caused entirely by the war. All our efforts were unavailing. It was not until March 15 this year that an advance of 15 per cent in the rates was granted; an advance quite inadequate to meet the continually growing expenses. As proof of its inadequacy, the United States Government, which took over the United States railways on the 1st January last, immediately raised the rates 15 per cent and in June raised them a further 25 per cent. The Canadian Government have now followed this action, and by an Order in Council ordered a further increase of 25 per cent in rates on lines east of Fort William effective August 12. At the same time it is announced the rates of wages in Canada on the railways are to be again increased.

As in 1917 we had to bear the whole of the enormous increase in expenses without any increase of rates, so in 1918 we are bearing a still larger increase in expenses for the whole year and have only received an increase of 15 per cent in rates in March and the further 25 per cent increase will not take effect till August 12. The consequence of this state of things must be that we shall be short of earning our fixed charges this year. It does not follow this will be the case next year as we shall then have the benefit of the increase of rates for the whole year instead of only a portion of the year as in this present year.

The circumstances arising from the war are common to all railways in Canada, America and Great Britain. You are aware of what the Government has done for the Canadian Northern in Canada, notwithstanding the enormous assistance it had already received. In America, the Government has guaranteed the railways the average net income of the three years to June 30, 1917. In Great Britain the Government has guaranteed the railways the net income of 1913, being the last complete year before the war. The Grand Trunk Railway has been the only company in all the countries I have mentioned left without the necessary assistance to meet the present extraordinary conditions.

If negotiations are to be resumed in Ottawa, some time must necessarily elapse and it is absolutely necessary if the credit of the company is to be preserved, that arrangements should be made to meet obligations falling due in October and November. The obligations are as follows:—

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Notes falling due October 1 with interest.....	£2,050,000
Interest charges between October 1 and 14.....	260,000
Loans from bankers in London with interest due October 15....	740,000
	£3,050,000
Estimated net amount to be received for notes.....	2,895,000
	£ 155,000

To meet these obligations we have applied to the British Treasury for permission to issue £3,000,000 notes which, if granted, would probably realize net £2,895,000, this is calculating they would realize net 96½ per cent. We ask the Government to guarantee this issue of notes, which will be secured by a deposit of debenture stock and to advance the deficit shown of £155,000.

If this arrangement is carried out, we shall be able to renew \$5,000,000 six per cent bonds of the Detroit, Grand Haven and Milwaukee Company, guaranteed by the Grand Trunk, falling due in November, but, of course, to do this, it is necessary our credit shall be maintained by the Government assisting us in the manner I have indicated for October.

There are other points which I have not dealt with, but I have confined my remarks to those which appear to be urgent.

I have asked your secretary to try and arrange a meeting between you and Mr. Ballantyne and the committee of my Board next week, as I think such a meeting while you are on this side would certainly be advantageous.

Yours faithfully,

(Signed) ALFRED W. SMITHERS.

Rt. Hon. Sir ROBERT BORDEN,
Savoy Hotel,
Strand, W.C.

SAVOY HOTEL,

LONDON, W.C., August 3, 1918.

Dear Mr. SMITHERS,—Your letter of the 2nd instant reached me to-day. I have transmitted copy to Mr. Meighen, with the request that he shall bring it to the attention of the Cabinet and especially Sir Thomas White and Mr. Calder.

Mr. Ballantyne has been asked to arrange as requested for a meeting on Wednesday next.

Yours faithfully,

(Sgd.) R. L. BORDEN.

ALFRED W. SMITHERS, Esq.
Dashwood House,
9 New Broad Street, E.C. 2.

GRAND TRUNK RAILWAY COMPANY OF CANADA,

DASHWOOD HOUSE, 9 New Broad Street,

LONDON, E.C. 2, August 8, 1918.

Rt. Hon. Sir R. L. BORDEN,
Savoy Hotel, Strand, W.C.

Dear Sir ROBERT BORDEN,—At the meeting yesterday between you and Mr. Ballantyne and General Mewburn and a Committee of my Board and myself, I made a proposition which, after a long discussion, you asked should be put in writing.

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I think, in order to put it in its true perspective, I should just put down the propositions that have passed between the Government and the Company. You have all the particulars of those propositions, and therefore I only shortly put down the bare figures.

At your request on the 25th January, conveyed through the High Commissioner, asking the board to say on what terms they would recommend the sale of the Grand Trunk and Grand Trunk Pacific to the Government, I replied with a statement of terms which at the end of 1930 would have resulted in an annual payment by the Government of 1,609,000 pounds. On the 7th March you replied on the part of the Government, with an offer which at the end of eight years would have involved an annual payment by the Government of 739,000 pounds, or you were prepared to leave the whole question of the amount to be paid to arbitration. At our meeting yesterday I proposed that the Government should pay a net annual sum of 977,000 pounds, being the amount of net earnings for the year 1913, the last normal year before the war, and thus following the course pursued by the British Government towards the British Railway, and leave to arbitration what further sum, if any, the shareholders are entitled to in respect of the prospective value of the undertaking that must arise from the development of the Dominion. This offer I now repeat. But, it was also suggested that an alternative offer should be made of a definite sum without arbitration, and I am authorized to say the board would recommend to the shareholders the payment of an annual sum of 1,163,000 pounds.

Yours faithfully,

(Signed) ALFRED W. SMITHERS.

OFFICES OF THE WAR CABINET,

2 WHITEHALL GARDENS, S.W. 1,

August 9, 1918.

Dear Mr. SMITHERS,—I beg to acknowledge your letter of yesterday, which I am transmitting by this mail to my colleagues.

The proposals therein set forth will, of course, be attentively considered; but I regret that I cannot hold out the slightest expectation that either of the two alternative proposals will be accepted.

Yours faithfully,

(Sgd.) R. L. BORDEN.

ALFRED W. SMITHERS, Esq.,
President of the Grand Trunk
Railway Company of Canada.

GRAND TRUNK RAILWAY COMPANY OF CANADA,

DASHWOOD HOUSE, 9 New Broad Street,

LONDON, E.C. 2, 13th August, 1918.

Dear Sir ROBERT BORDEN.—In reply to your letter of the 9th instant I need not say that my colleagues and myself are very disappointed at the expression of your opinion that neither of our offers is likely to be accepted—offers which were only made in the expectation that the Government would assist us in meeting payments falling due in October.

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I should be obliged if you would kindly tell me before you leave for Canada what in your view can be done to meet the serious position in the Company's finances which will arise at the end of September, which has been fully explained to you and which must be dealt with in the beginning of that month.

Yours faithfully,

(Signed) ALFRED W. SMITHERS,

The Right Hon. Sir ROBERT L. BORDEN,
Savoy Hotel, Strand, W. C.

GRAND TRUNK RAILWAY COMPANY OF CANADA,

DASHWOOD HOUSE, 9 New Broad Street,
LONDON, E.C. 2, 13th August, 1918.

DEAR SIR,—I enclose memorandum respecting the proposed acquisition of the Grand Trunk Railway by the Canadian Government, together with a copy of my speech to the Shareholders at the annual meeting in London last April. Colonel Ballantyne kindly undertook before leaving England to hand these documents to you on his return to Canada.

I earnestly ask you to give them your serious attention as I am sure the members of the Government or members of Parliament who are not specially interested in railway matters have no idea of the position in which the Grand Trunk Railway has been placed from causes absolutely beyond the control of the Management.

I regret exceedingly that important business in connection with the Company keeps me in London, but our President, Mr. Kelley, is fully acquainted with the position and will gladly afford any further information you may require.

Apologizing for troubling you at such length. I remain,

Yours faithfully,

(Signed) ALFRED W. SMITHERS,
Chairman.

OTTAWA, ONT., August 27, 1918.

My Dear Mr. SMITHERS,—I beg to acknowledge your letter of the 13th August which reached me on board ship, together with printed statements and memoranda setting forth the position from the point of view of the Grand Trunk Management.

Yours faithfully,

(Signed) R. L. BORDEN.

ALFRED W. SMITHERS, Esq.,
Grand Trunk Railway System,
Dashwood House, London, England.

OTTAWA, September 10, 1918.

PERLEY, Dominion,
London.

B. 107. Please inform Smithers with respect to his letter 13th August that I have consulted Minister Finance who has just returned as well as my other colleagues. The Government has not power to guarantee proposed note issue without the authority of Parliament and we do not consider it practicable to ask Parliament for such authority.

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The Government is disposed to assist in every reasonable way the maintenance of Company's credit as is evidenced by the advance of one hundred and twenty-two thousand pounds on July first and by our offer of 12th July last to advance three hundred and eighty thousand pounds to meet fixed charges upon terms which were regarded as reasonable but which the Company declined. We shall be glad to have any further suggestions from Smithers as to methods of assistance. There is strong objection in Council to any increase of our offer for the following reasons. It is most unwise and undesirable for a government without the report of a commission or board of arbitration or a vote of Parliament to undertake a large annual payment which would represent the capitalization of eighty or a hundred million dollars. The offer already made is based on the Drayton-Acworth report which affords a sufficient foundation for Government's proposal. If we go beyond the bounds of that report we have no certain guide as to what we should propose, Council will not accept either of the offers which Smithers put forward and unless they receive further offer before end of month they still consider negotiations at an end.

BORDEN.

GRAND TRUNK RAILWAY SYSTEM,

MONTREAL, September 13, 1918.

Dear Sir ROBERT,—Below please find translation of cable message dated London, September 12, received this afternoon from our Chairman, Mr. Alfred W. Smithers, with request that it be communicated immediately to you, and which was telephoned to your Secretary, Mr. Yates, at 4.30 p.m.:—

“Your cable message received through High Commissioner of Canada. From the conversation with you before you left, I considered it improbable Government would agree to guarantee an issue. I waited as long as I prudently could, and last Monday I succeeded in underwriting the issue of £3,000,000 6 per cent notes at 99 per cent, which is $\frac{1}{2}$ per cent better price than obtained for our last issue.

“In regard to the latter part of your cable message, I will bring it before board to-morrow, Friday, and cable further.

“SMITHERS.”

Yours faithfully,

(Sgd.) HOWARD G. KELLEY.

Right Hon. Sir ROBERT L. BORDEN, G.C.M.G., etc.,

Prime Minister,
Ottawa.*Translation of cablegram received from London,*

FEBRUARY 18, 1919.

KELLEY,

Sciatica, Montreal.

Take following message personally to Sir Thomas White:—

“On my arrival in London I informed the Chairman and Board that in an interview with you just before I left I drew the conclusion that you would be willing to consider proposal looking to the Grand Trunk working with the Canadian Government Railways in place of the Government proposal to purchase. I have accordingly suggested to the Board that the Government should take over Grand Trunk Pacific Railway and the Branch Lines Company,

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repaying to the Grand Trunk all indebtedness, and that Grand Trunk should enter into a traffic agreement with the Government by which Grand Trunk should become the eastern connection of the Canadian Government Railways and the Canadian Government Railways should become the western connection of the Grand Trunk, interchanging at North Bay; Grand Trunk to operate at cost all the eastern lines of the Canadian Northern Railway; Grand Trunk to undertake to spend upon improvements and additions to its terminals and other facilities such portion of the money owing by the Grand Trunk Pacific Railway and Branch Lines Company, which would be repaid by the Government and which might be necessary for the efficient handling of the combined through business. This plan would enable the Company to continue operation of its American lines and secure all of the advantages therefrom both to the Company and to Canada by reason of the control and movement of international competitive traffic over its lines and through Canada."

HOWARD G. KELLEY.

(Smithers).

OTTAWA, Ont., 19th February, 1919.

KELLEY,

Sciatica, London.

Replying your message received through Scott, your conclusion respecting our interview entirely unwarranted. Stop. Proposal made in your cable cannot be entertained.

WHITE,
Acting Premier.

Imperial cable.

LONDON, February 22, 1919.

Sir THOMAS WHITE,

Acting Premier, Ottawa.

Replying to your message, much regret I misunderstood you and that you cannot entertain my proposal. My object in coming to London and in making the proposal was, if possible, to end the deadlock.

(Sgd.) KELLEY.

GRAND TRUNK PACIFIC RAILWAY.

MONTREAL, February 25, 1919.

Hon. Sir THOMAS WHITE,
Minister of Finance,
Ottawa.

Dear Sir THOMAS,—Referring to our recent conversations. I am in receipt of a cable from Mr. Smithers stating that in the anticipation of receiving the balance of the appropriation of \$7,500,000, viz.: \$951,911.33, to apply for interest on Grand Trunk Pacific Railway Debenture Stock due March 1, payment was duly advertised. In consequence, however, of the remittance being coupled with the condition that it is to be used only for operating obligations, the Company will be unable to meet the interest due on the first proximo, and a serious situation will result.

I respectfully beg to direct your attention to the matter in order that the actual position, and possible consequences may be fully appreciated.

Yours very truly,

(Signed) FRANK SCOTT,
Vice-President and Treasurer.

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OTTAWA, February 28, 1919.

Dear Mr. SCOTT,—I beg to formally acknowledge receipt of your letter of the 25th instant which you personally handed to me at my office here. I note what Mr. Smithers states in his cable as to the Grand Trunk Pacific Railway Company being unable to meet the interest due upon its securities on March 1. With reference to the balance of the appropriation of the vote of \$7,500,000 by Parliament, the sum of \$923,311.26 was paid to your Company on your certificate No. 10 dated January 23, 1919, duly approved by the Acting Deputy Minister of the Department of Railways and Canals. This certificate expressly states that this sum is on "account of a cash deficit in the operation of the Company from April 1 to November 30, 1918, inclusive" and "is required to enable the Company to meet its operating obligations". The small balance of the vote amounting to about \$28,000 will, I understand, be required for the same purpose. There seems no doubt that deficit in operation should have priority over all other charges.

I have already informed Mr. Kelley, President of the Company, and yourself that it is not the intention of the Government to ask Parliament to provide a further vote for the Grand Trunk Pacific Railway Company while our negotiations with the Grand Trunk Railway Company remain in their present unsatisfactory condition. As I indicated to you, it will be for the Board of Directors of the Grand Trunk Railway Company to determine the question of their responsibility in respect of the interest maturing to-morrow upon securities guaranteed by their Company.

Yours very truly,

(Signed) W. T. WHITE.

FRANK SCOTT, Esq.,
Vice-President and Treasurer,
Grand Trunk Pacific Railway,
Montreal.

GRAND TRUNK PACIFIC RAILWAY,

MONTREAL, March 4, 1919.

Hon. Sir THOMAS WHITE, K.C.M.G.,
Minister of Finance,
Ottawa, Ont.

Dear Sir THOMAS,—I am instructed to inform the Government that in view of the fact that the increased rates applicable to the Grand Trunk Pacific Railway have not been sufficient to meet the increased operating expenses, it will not be possible for that Company to continue its operations when the present funds have been exhausted, which will be about the 10th instant.

May I ask you to be so good as to acknowledge receipt of this letter.

Yours very truly,

(Signed) FRANK SCOTT,
Vice-President.

GRAND TRUNK RAILWAY COMPANY

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OTTAWA, March 5, 1919.

DEAR SIR,—I beg to acknowledge receipt of yours of the 4th instant informing me of the intention of your Company to discontinue operations about the 10th instant.

Yours truly,

(Signed) W. T. WHITE.

FRANK SCOTT, Esq.,
Vice-President and Treasurer,
Grand Trunk Pacific Railway,
Montreal.

MONTREAL, March 7, 1919.

Hon. Sir THOMAS WHITE, K.C.M.G.,
Minister of Finance,
Ottawa, Ont.

DEAR SIR,—I have been instructed by Mr. Smithers to forward the following cable message to you as from him:—

“Mr. Howard G. Kelley has handed me cable message from Mr. Frank Scott containing extract from your letter to him, as follows:—“that it is not intention of the Government to ask Parliament to provide further vote for Grand Trunk Pacific Railway while our negotiations with Grand Trunk remain in their present unsatisfactory condition.” I beg to recall, when Ministers came over last summer, it was stated in Parliament negotiations would be resumed in London. I accordingly saw Ministers, with Members of Board several times and at last was told that Ministers could make no advance in their original offer without consent of full Cabinet in Ottawa. In these circumstances progress in negotiations was impossible, but with a view to facilitating matters, just before the Prime Minister left for Canada, a Committee of the Board, and myself, saw him, with two of his colleagues, and made a fresh proposal involving very big reduction on our first offer. This offer was not accepted, but on the 5th November High Commissioner of Canada sent for me and said he had message from the Prime Minister asking me if we wished to continue negotiations, and if so, he thought I should go to Canada. I told High Commissioner of Canada, looking to the fact that the Government had given no sign of any intention of departing from their original offer, I thought it was useless going out, unless I had some further explanation, or assurance, as to Government’s intentions. To this we have had no reply, and I really fail to see how the Company can be held responsible for the unsatisfactory condition of our negotiations. Mr. Howard G. Kelley is returning in a few days and I think it would be advantageous if you could cable any reply you may wish to make to this communication before he leaves. . Smithers.”

Mr. Smithers’ cable code address is “Smithers, Sciatica, London.”

Yours very truly,

(Signed) FRANK SCOTT,
Vice-President and Treasurer.

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OTTAWA, March 8, 1919.

SMITHERS,

Sciatica, London.

Replying your cable received through Scott. Government considers unsatisfactory condition of negotiations due to Board of Directors of Grand Trunk Railway Company entirely failing to appreciate its responsibilities towards the Grand Trunk Pacific Railway undertaking and the bearing of its liabilities in respect thereto upon the question of the net earning power and value of the Grand Trunk Railway system. In November last the Prime Minister cabled to Sir George Perley to suggest to you that if your company desired further negotiations the government would be glad to see you in Canada as soon as convenient. He pointed out that it did not seem useful to continue discussion by correspondence. He also suggested that if you came you should be invested with ample powers to conclude an arrangement if one could be reached. Your attitude towards the reasonable suggestion contained in the Prime Minister's communication seemed clearly to indicate indifference towards the continuance of negotiations. Confirmatory of this is the peremptory notification on Thursday last to the Government, without previous intimation, or discussion, that the Grand Trunk Pacific would, on March tenth, discontinue operations, entirely regardless of consequences to Canada through interruption of traffic over a system so extensive and important.

(Signed) W. T. WHITE,
Acting Premier

Charge Prime Minister's Office.

LONDON, March 11, 1919.

Sir THOMAS WHITE,

Acting Premier, Ottawa.

In reply to your message I assure you nothing peremptory was intended, Government having taken position in message received here March third that they would not render further assistance and Grand Trunk Pacific working cash being exhausted owing to heavily increased expenses beyond power of Company to control we had no alternative but to notify Government of our inability to continue in order to prevent inconvenience to the people of Canada served by Grand Trunk Pacific. Special general meeting of the Grand Trunk Railway Company has been called for Friday, twenty-first

(Signed) SMITHERS.

LONDON, March 23, 1919.

Sir THOMAS WHITE,

Acting Premier, Ottawa.

Reported in Times to-day you stated in Parliament you were convinced Grand Trunk Directors thought that Government were powerless and that Government would have been compelled to advance further loan if they did not wish to see system idle. I beg to assure you there is not slightest ground for your statement. We only received your final refusal to further assist Company on March 3. We were advised by our officers we could only keep line open for a week without running into debt. Our Solicitor advised we were not entitled to use Grand Trunk funds for operating expenses on Grand Trunk Pacific and in interest of the travelling public to our great regret we had no other course open but to inform Government.

SMITHERS.

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OTTAWA, March 24, 1919.
Via Imperial Cable Service.

SMITHERS,

Sciatica, London.

Thanks for cable. The short notice given of intention to close down Grand Trunk Pacific System without previous intimation or discussion from Montreal or London seemed clearly to indicate intention to force the situation and has been so understood by Government and Parliament. I shall read your cable to Government and Parliament.

WHITE.

RESOLUTION PASSED UNANIMOUSLY AT SPECIAL MEETING OF THE SHAREHOLDERS OF THE GRAND TRUNK RAILWAY COMPANY OF CANADA, HELD IN LONDON, MARCH 21, 1919.

"That this meeting, having heard from the Chairman a statement of the course of negotiations which have taken place between the Government and the board, approves of the action of board and is of the opinion that the amount offered by the Government for the purchase of the Grand Trunk Railway is inadequate and will not enable the board to formulate a friendly and agreed scheme which would satisfy claim of different classes of stockholders; but it urges the board to convey to the Government the desire of all classes of stockholders to arrive at a friendly understanding;

And that the board be asked to form a committee selected from the largest holders of various stocks to consult with the board on the subject."

(Handed to Sir Thomas White by Mr. H. G. Kelley.)

OTTAWA, March 8, 1919

Re Grand Trunk Pacific Railway System.

DEAR SIR,—I enclose for your information copy of an Order of the Governor in Council appointing the Minister of Railways and Canals, receiver of the companies included in this system as defined in the Order, and of their works, undertakings, etc.

The reasons for the passing of this Order are given shortly in it. The matter was too pressing and important to warrant the Government waiting until the Grand Trunk Pacific Railway Company thought fit to fix the precise date when its operation would cease. It is my intention as Government Receiver to enter upon my duties, and take possession of the system immediately after twelve o'clock midnight of Sunday, the 9th instant, and I desire to know whether you, as treasurer, will conform to the requirements of the Order and facilitate the carrying out of my powers and duties as receiver, and whether you will, as the Order directs, continue to discharge for me as receiver, duties in connection with the operation and management of the undertakings and works, similar to your present duties as treasurer, so that no interruption of the operation and management thereof may occur.

Your early reply in writing is requested. If it be satisfactory I shall be glad to discuss details with you and give you such instructions and authority as may be necessary.

Yours truly,

(Sgd.) J. D. REID,

Receiver, Grand Trunk Pacific Railway System.

Mr. FRANK SCOTT,

Treasurer,

Grand Trunk Pacific Railway,
Montreal, P.Q.

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OTTAWA, March 8, 1919.

Re Grand Trunk Pacific Railway System.

DEAR SIR,—I enclose for your information copy of an Order of the Governor in Council appointing the Minister of Railways and Canals receiver of the companies included in this system as defined in the Order and their works, undertakings, etc.

The reasons for the passing of this Order are given shortly in it. The matter was too pressing and important to warrant the Government waiting until the Grand Trunk Pacific Railway Company thought fit to fix the precise date when its operation would cease. It is my intention as Government receiver to enter upon my duties, and take possession of the system immediately after twelve o'clock midnight of Sunday, the 9th instant, and I desire to know whether you, as general manager, will conform to the requirements of the Order and facilitate the carrying out of my powers and duties as receiver, and whether you will, as the Order directs, continue to discharge for me as receiver, duties in connection with the operation and management of the undertakings and works, similar to your present duties as general manager, so that no interruption of the operation and management thereof may occur.

Your early reply in writing is requested. If it be satisfactory I shall be glad to discuss details with you and give you such instructions and authority as may be necessary.

Yours truly,

(Sgd.) J. D. REID,

Receiver,

Grand Trunk Pacific Railway System.

Mr. W. P. HINTON,
General Manager,
Grand Trunk Pacific Railway,
Winnipeg, Man.

OTTAWA, ONT., March 8, 1919.

Hon. Dr. J. D. REID,
Receiver for the Grand Trunk Pacific Railway System,
Ottawa, Ont.

Re Grand Trunk Pacific Railway System.

DEAR SIR,—I beg to acknowledge receipt of your letter this date with which was enclosed copy of an Order of the Governor in Council passed under the War Measures Act, 1914, appointing the Minister of Railways and Canals as receiver of the companies included in the Grand Trunk Pacific Railway System, as defined in the Order and of their works, undertakings, etc.; and in response to your verbal request for prompt reply.

In view of the reasons contained therein setting out the urgency of the situation in the public interest, and at your request contained in the letter referred to, I shall agree, as general manager, to conform to the requirements of the Order and facilitate the carrying out of the powers and duties required of you, as receiver, under the said Order, and will continue to discharge for you, as receiver, the duties in connection with the operation and management and the undertaking of the works similar to my present duties as general manager, so that no interruption in the operations and management of the system may occur, and will discuss further details and obtain such instructions and authority as may be necessary.

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I should state, for your information, however, that not being a director and having no corporate authority in connection with the system, therefore it prohibits me from taking any responsibility in respect to any legal position arising.

Yours truly,

(Sgd.) W. P. HINTON,
General Manager.

P. C. 517.

AT THE GOVERNMENT HOUSE AT OTTAWA,

FRIDAY, the 7th day of March, 1919.

PRESENT:

HIS EXCELLENCE THE GOVERNOR GENERAL IN COUNCIL.

Whereas under the authority of "The Appropriation Act, No. 2, 1918," the Governor in Council advanced the sum of \$7,471,399.93 or thereabouts to the Grand Trunk Pacific Railway Company for certain purposes in said Act defined, including the meeting of "deficit in operation of the Grand Trunk Pacific Railway System," such sum being in addition to other large sums previously advanced under previous authority for similar purposes.

And whereas a letter dated 4th March, 1919, from the Vice-President of said Company was received by the Minister of Finance, as follows:—

"I am instructed to inform the Government that in view of the fact that the increased rates applicable to the Grand Trunk Pacific Railway have not been sufficient to meet the increased operating expenses, it will not be possible for that Company to continue its operations when the present funds have been exhausted, which will be about the 10th instant. May I ask you to be so good as to acknowledge receipt of this letter."

And whereas should the operation of the Grand Trunk Pacific Railway System be discontinued, great detriment to the public interests would ensue, and the intention of Parliament in authorizing the said advances would be defeated.

And whereas the continued operation of said system is essential in the present position of Canada resulting from the war, which has not yet been terminated by Peace, especially in connection with the transport of returning Canadian troops and of supplies and equipment and freight, and other services made necessary by the war—

And whereas for the protection of the public interests and for the purposes aforesaid, it is essential that the operation of said system should be continued without interruption.

And whereas the duty of continuing such operation is thrown upon the Government of Canada inasmuch as there are no effective provisions in existing laws whereby such continued operation could be otherwise secured.

And whereas immediate action by the Government is imperative.

Therefore His Excellency the Governor General in Council, under the authority of the War Measures Act, 1914, and of all other authority in that behalf, is pleased to order and it is hereby ordered as follows:

1. In this order, unless the context otherwise requires:

(a) "Grand Trunk Pacific Railway System" means and includes (1) the lines of railway and their appurtenances and the undertaking and works of the Grand Trunk Pacific Railway Company, of the Grand Trunk Pacific Branch Lines Company and of the Grand Trunk Pacific Saskatchewan Railway Company; (2) the lines of telegraph and their appurtenances and the

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undertaking and works of the Grand Trunk Pacific Telegraph Company; (3) the steamships, vessels and their appurtenances and the undertaking and works of the Grand Trunk Pacific Steamships Company; (4) the properties, hotels, and appurtenances and the undertaking of works of the Grand Trunk Pacific Development Company.

(b) "Officers" means and includes Directors, President, Vice-Presidents, Managers, Secretary, Treasurer, Clerks, Servants and employees.

(c) "Books and papers" means and includes books of accounts or of entries relating to the business or operation or maintenance of the said lines of railway or telegraph or steamships, vessels, hotels, properties or works, or any of them, or any part thereof, also records, statements and documents relating to such business, operation or maintenance or any part thereof.

(d) "Exchequer Court" means the Exchequer Court of Canada.

(e) The singular number includes the plural and the plural the singular, the male gender includes the female, and the female the male.

(f) "Person" includes corporation.

(g) "Government Receiver" means the Receiver appointed by this Order.

2. The Minister of Railways and Canals is hereby appointed Receiver of the Grand Trunk Pacific Railway System, and such Receiver shall have and exercise with respect to the said system and every part thereof and to the Companies included therein, powers and duties similar to those of a Receiver under Section 26 of the Exchequer Court Act.

3. On the application of the Government Receiver, the Exchequer Court of Canada may make such orders respecting such Receiver and his powers and duties and the carrying out thereof, including the issue of Receiver's Certificates, as the Court may deem necessary or expedient in the public interest.

4. Subsections 5 and 6 of section 26 of the said Act shall apply to the Government Receiver and to the Grand Trunk Pacific Railway System and every part thereof and to the companies included therein—except that no remuneration of the Receiver shall be fixed by the Court.

5. The Government Receiver may, on or after the 10th day of March, 1919, or on such earlier day as the Grand Trunk Pacific Railway Company, or any Company included in the Grand Trunk Pacific System, may cease to operate efficiently its undertaking and works or any portion thereof, take possession of such undertaking and works, and the Exchequer Court may from time to time make and enforce such Orders in aid of the Government Receiver with respect to taking of such possession or otherwise as the Court may deem expedient for the carrying out of the provisions of this Order according to their true spirit and meaning.

6. Each Company included in the Grand Trunk Pacific Railway System and its officers shall facilitate the carrying out of the powers and duties of the Government Receiver, and all books and papers, real or personal property of each of the said Companies, in its possession or under its control or the control of its officers or any of them, shall without delay be handed over to the said receiver or his nominees or placed under his control in such manner as he may direct.

7. Any officer of the Company included in the Grand Trunk Pacific Railway System, who obstructs the Government Receiver in carrying out his powers and duties, or fails to hand over to him, or his nominees, or to place under his control, any book or paper, real or personal property in accordance with the foregoing provisions, shall incur a penalty for each breach of said provisions of the amount hereinafter stated, viz. in the case of a President, a Vice-President, or a Director, the sum of ten thousand dollars (\$10,000); in the case of a Manager, with the authority of or similar to that of a General Manager or of one acting for or assisting a General Manager the sum of five thousand dollars (\$5,000); in the case of a Secretary or of a Treasurer, or of one acting for or assisting a Secretary or Treasurer, the sum of two thousand five hundred

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dollars (\$2,500); in the case of any clerk, servant or employee, the sum of one thousand dollars (\$1,000).

8. Any penalty incurred under the foregoing provisions may be sued for and recovered, with costs, in the Exchequer Court, by suit or proceeding in such Court instituted by the Attorney General of Canada.

9. Nothing in this Order contained and nothing done or to be done under the authority hereof, shall render the Government of Canada or the Government Receiver, or any one acting under the authority of the Government Receiver, or of the Exchequer Court, liable to the Grand Trunk Railway Company of Canada, or to any Company included in the Grand Trunk Pacific Railway System, or to any creditor, or holder of any bonds, debentures, debenture stock or other securities of the said Companies, or any of them for any claim by reason of the making of this Order, or of anything done or to be done under the authority hereof, or under the authority of the Government Receiver or of the Exchequer Court, nor shall afford any defence to, nor shall prejudice any claim, action or proceeding of the Government of Canada which the Government might lawfully make or take, had this Order not been made.

10. All officers except the Board of Directors of any Company included in the Grand Trunk Pacific Railway System shall continue to discharge for the Government Receiver, till further orders or directions by him, duties in connection with the operation and management of the undertakings and works of any Company included in the Grand Trunk Pacific Railway System, similar to their present duties, so that no interruption in the operation and management thereof may occur.

11. Nothing herein contained or done, or to be done hereunder shall prejudice the exercise by the Exchequer Court or by any Court of any province of Canada of its present jurisdiction under the Exchequer Court Act, or under any other law or jurisdiction, to appoint a receiver or to order or decree a sale or foreclosure of any railway, or section thereof, or other property affected by this Order; provided that before any such sale or foreclosure is ordered or decreed, or any Receiver is appointed by any such Court notice of the application shall be given to the Minister of Railways and Canals of Canada, and he or counsel for him, shall be heard upon the application; and the Court in granting or refusing or postponing the application, shall take into consideration the public interests involved, and shall make such order as shall in the opinion of the Court protect the public interests.

12. The Minister of Railways and Canals mentioned in this Order means the minister for the time being, and upon a vacancy occurring his successor shall become the Government Receiver. The powers and duties of the Government Receiver may be exercised by such member of the Government as may from time to time be the Acting Minister of Railways and Canals.

13. Should it be made to appear to the Government Receiver that any book or paper is or has been used for the purposes of the operations of the Grand Trunk Railway Company of Canada, as well as the operations of any company included in the Grand Trunk Pacific Railway System, and that for such reason the same should not be handed over to the receiver or placed under his exclusive control, the Government Receiver may, on such terms and conditions as he may deem necessary, allow the joint use of same to be continued. The Government Receiver may open such books and accounts as in his opinion may be necessary, to separate and transfer from any such book or paper, jointly used, accounts and entries relating to any of the companies included in the Grand Trunk Pacific Railway System, and may so separate and transfer the same; and the said receiver shall keep the accounts of his receipts, expenses and disbursements in connection with each of the companies included in the said system, and their works, undertakings and properties, or parts thereof, in such manner that one may be distinguished from another, and that the interests of the various parties interested therein may be ascertained.

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14. The Governor in Council may from time to time, under the Order of the Exchequer Court, and upon the security of receiver's certificates, or otherwise, advance to the Government Receiver such sums as may be required to enable him to exercise his powers, and to perform his duties as receiver; the sums so advanced shall be paid out of any unappropriated moneys in the Consolidated Revenue Fund of Canada.

15. No transfer of any shares in the capital stock of any company included in the Grand Trunk Pacific Railway System shall, after the appointment of the Government Receiver, be made, and no such transfer shall be entered on any register or transfer book. Any transfer contrary to this provision shall be null and void; provided that the Government Receiver may, on the application of any person interested, or of his own motion, permit any transfer to be made or completed.

RODOLPHE BOUDREAU,
Clerk of the Privy Council.

P.C. 547.

AT THE GOVERNMENT HOUSE AT OTTAWA.

THURSDAY, the 13th day of March, 1919.

PRESENT:

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL.

WHEREAS through inadvertence, there were omitted from the definition of "Grand Trunk Pacific Railway System," in Section 1 of the Order passed by His Excellency in Council on March 7, 1919, providing for the appointment of a Government Receiver for the said System, the necessary words relating to Grand Trunk Pacific Terminal Elevator Company, Ltd.;

THEREFORE, His Excellency the Governor General in Council, is pleased to order and it is hereby ordered that the said Order in Council of March 7, 1919, shall be and the same is hereby amended by inserting at the end of the definition of "Grand Trunk Pacific Railway System" in Section 1 thereof, the following:—

(5) The properties, elevators, terminals and appurtenances, and the undertaking and works of Grand Trunk Pacific Terminal Elevator Company, Limited.

AND His Excellency the Governor General in Council is further pleased to declare and doth hereby declare that the said Order in Council of March 7, 1919, and this present Order shall be, and be read together as, one Order, and shall take effect from the passing of the said Order of March 7, 1919.

RODOLPHE BOUDREAU,
Clerk of the Privy Council.

MEMORANDA RE GRAND TRUNK RAILWAY SYSTEM.

SUMMARY.

Mileage—

	In Canada.	In U. S.
Operated under G. T. R. Co. operated...	3,592	419
" " American Cos. "	99	1,246
" " G. T. Pacific "	2,817	—
 Total operated in Canada...	 6,508	 1,665
" " United States	1,665	
 Grand Total operated...	 8,173	

Capitalization—

In hands of public, December 31, 1917, for the System, including the Grand Trunk Pacific (1918) and American roads.

	Per mile.
Funded Debt...	\$ 56,170
Equipment Notes...	967
Guaranteed and Preference Stocks...	16,685
Common Stock...	14,798
 Total Securities with Public...	 \$ 88,621
Exclusive of Govt. Loan to G. T. R.	15,162,633

Traffic—

Passengers carried in 1918 were less in number for the Grand Trunk Railway Company than in any eight previous years. 1916 was the biggest year they ever had in this.

Freight tons in 1918 were a little less than in 1917, which was the record year. The length of haul in 1918 was the next best to the year 1916, which was the record year. The density of traffic, which is disclosed by the revenue tons one mile per mile of road, was the best in the history of the road, being 1,254,564 in 1918, with the year 1917 next.

Income Account—

On account of the increased rates, naturally the Gross Income is the largest in the history of the road, for 1918, but gave them no net after fixed charges. For the Grand Trunk Railway Company to December 31, 1918—

Operating Earnings...	\$ 61,588,756
" Expenses (and taxes)...	53,435,805
 Net Earnings...	 8,152,951
Other Income...	2,893,568
 Gross Income...	 11,046,519
Deductions...	11,037,759
 Surplus for dividends...	 \$ 8,760

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This includes the estimated loss on the American roads, but does not include the Grand Trunk Pacific which for year December 31 was approximately:—

Operating Earnings..	\$ 7,986,029
" Expenses..	10,734,599
Deficit..	\$ 2,748,570
Revenue outside operations..	8,109

Taxes	\$ 2,740,461
	53,205
Operating Loss..	\$ 2,793,666
Other Income..	1,920,026

Deficit..	\$ 873,640
Fixed charges and Loss on branches..	9,442,739

Gross deficit for year..	\$ 10,316,379

Operating Ratio—

Including taxes, the Grand Trunk Railway Company's operating ratio in 1918 was 86.75 per cent; in 1917, 83.94 per cent; 1916, 73.60 per cent; 1915, 78.52 per cent; 1914, 79.58 per cent; 1913, 75.48 per cent; 1912, 72.54 per cent; 1911, 74.56 per cent.

United States affiliations—

By book figures of December 31, 1917, these roads show a deficit of \$1,302,154. To this must be added deficit of Central Vermont of \$154,729 not shown in Grand Trunk Railway Company's statement. This however, does not show the deficit for the Atlantic and St. Lawrence, which for 1917 was about \$1,200,000. Thus making over \$2,600,000 as the income cost to the Grand Trunk Railway in 1917, for the American railways.

HISTORY.

The original Grand Trunk Railway Company was incorporated in 1852; by October, 1856, a line from Toronto to Montreal was constructed and put in operation; an extension to Sarnia was opened by November, 1859, and some other lines were constructed, but the major portion of the present system was acquired by amalgamation and consolidation with other companies referred to later. The gauge of the tracks as at first built was 5 feet 6 inches, and it was not till 1879 that this was changed to standard of 4 feet 8½ inches.

The Great Western Railway first opened a line from Niagara Falls to Hamilton in November, 1853, this was extended to Windsor, January, 1854. In October, 1853, a line to Barrie was opened and extended to Collingwood January, 1855, subsequently other branches were built to Toronto, Guelph and Sarnia, and by 1866 they had 345 miles of road. The gauge was 5 feet, 6 inches until 1879, when it was made standard. This road in 1882 was consolidated with the Grand Trunk Railway under that name.

The Champlain & St. Lawrence Railway, afterwards the Montreal, Champlain Junction Railway, though not of importance in mileage but as one of the consolidated companies of the Grand Trunk Railway has considerable historical interest. This railway has to its credit the proper distinction of "Pioneer". As a horse-drawn affair, after an unsuccessful attempt to get a "steam coach" to operate, it was opened for traffic from opposite Montreal, to Rouses Point, on Lake Champlain, in 1836, and by 1839 was a "regular" railway with steam locomotives.

The St. Lawrence & Atlantic Railway chartered in 1845 to build a line to meet one being constructed by the Atlantic & St. Lawrence Railway from Portland, had

opened from Longueuil (near Montreal) 30 miles to St. Hyacinthe on December 27, 1848, and reached Sherbrooke, August, 1852, and completed its road to the boundary in July, 1853. November, 1854, also saw the line Richmond to Quebec in operation. By connection with the rest of the Grand Trunk Railway, the first through train was run in November, 1859, between Portland, Maine, for service to Detroit.

The Northern Railway under the name of The Ontario Simcoe & Huron Railway in June, 1853, put a line from Toronto to Bradford in operation, afterwards extending to Barrie, October of that same year, and by January, 1855, had got to Collingwood, 96 miles from Toronto.

The Grand Trunk Railway after consolidated as referred to with the Great Western Railway, in 1882, absorbed the Midland Railway in 1884, and in 1888 the Northern Railway with its leased line, the Hamilton and Northwestern Railway. By 1890, the Grand Trunk had absorbed or controlled 17 railroads in Canada and 15 more in the United States. The Central Vermont Railroad was then acquired and in 1905 the Canada Atlantic Railway System was absorbed.

The Grand Trunk Pacific Railway was incorporated to operate a main line from Moncton to Prince Rupert and Branches on the prairies. The portion of the line east of Winnipeg was to be built by the Dominion Government and leased to the Grand Trunk Pacific for 50 years, with a possibility of renewal. West of Winnipeg was to be built with large Governmental assistance by the Grand Trunk Pacific Company, not only the main line, but the necessary branches.

The Grand Trunk Railway Company was to and do hold, the entire capital stock, and they were to have full control of the whole undertaking.

On completion of the main line east of Winnipeg by the Dominion Government, it was found the cost had reached \$160,000,000 instead of \$61,000,000 as originally estimated, and as the Grand Trunk Pacific's rental was percentage of the cost, they objected to take this part of the line over for operation.

To quote the Commission of Inquiry, majority report, page XXIII "And the Government by accepting the Company's refusal and commencing to work the line themselves, have in effect released the Company unconditionally".

The Grand Trunk Pacific have been operating the main line west of Winnipeg, together with the Prairie Branches since 1913. The Lake Superior Branch, a connection of the main line east of Winnipeg to Fort William has been leased by the Grand Trunk Pacific to the Canadian National Railways from May, 1915, for 999 years.

On 7th March, 1919, the Grand Trunk Pacific Railway went into the hands of a receiver, and the Honourable Minister of Railways is now operating the road as receiver, with practically no change in the management that previously existed.

TERRITORY COVERED AND DISTRICTS SERVED.

Atlantic Connection.

The Grand Trunk system has no line of its own in Canada east of Quebec city, but by traffic connections with the Canadian National Railways has access to the Maritime Provinces and the Canadian Atlantic seaboard. Through the Grand Trunk Railway Company control of the Atlantic and St. Lawrence Railroad, Central Vermont Railway, and the New London Northern Railroad, and by traffic connection with the Boston & Maine Railroad, it has outlets to three United States Atlantic seaports —Portland, Me.; New London, Conn., and Boston, Mass.

Quebec.

In the province of Quebec the company has no lines north of the river St. Lawrence. They have a main line from Quebec to Montreal, which is considerably longer

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than its competitors; a branch from this line to Three Rivers, and seven branches radiating southward from the city of Montreal. The Grand Trunk, it is thus seen, serves the district in a southerly direction from Montreal, both east and west to the International border, but divides parts of this territory with the Canadian Pacific Railway and other smaller roads. Between Montreal and Quebec, south of the Inter-colonial line, and north of the Canadian Pacific Railway (State of Maine line) the Grand Trunk Railway serves an area immediately on each side of their line, the central part of which is their territory exclusively. The Grand Trunk Railway have 552 miles of railway in this province, or 11.6 per cent of the provincial mileage.

Ontario.

In the older part of the province of Ontario, we find particularly in the well developed portions, that this railway has it gridironed with lines. There is a double track main line, Montreal via Toronto to Hamilton and Sarnia, for service to Chicago, a double track main line Hamilton to Niagara Falls for their State of New York connections. Other main lines or main branches serve between Montreal and Ottawa, Toronto and North Bay, Toronto and Sarnia via Guelph and Stratford, London and Detroit, Buffalo (Fort Erie) and Detroit (Windsor), Buffalo (Fort Erie) and Goderich, and off these branch lines are feeders to most of the towns of any importance. In the northern part of old Ontario, for a considerable distance south of the Ottawa river, with the exception of the branches into Pembroke and the one into North Bay, the Grand Trunk Railway do not serve any area. In what is commonly known as Northern or New Ontario, the Grand Trunk Railway operate no lines whatever, that is they have no operating railways of their own north or west of North Bay in the province of Ontario, and depend on traffic arrangements with the Canadian Northern Railway and Timiskaming & Northern Ontario Railway for a link to connect their eastern and Ontario lines to the Grand Trunk Pacific system. It is true they own what is known as the Lake Superior branch of the Grand Trunk Pacific, which runs from Superior Junction, on the Canadian Northern Railway to Fort William, but as this was a disconnected line of theirs, it is leased and operated by the Canadian Northern Railway. The total railway mileage of the province is 11,057 and the Grand Trunk Railway operate 3,152 or 28.5 per cent of this.

Manitoba.

In the province of Manitoba the Grand Trunk Railway system own and operate that portion of the main line of the Grand Trunk Pacific Railway running west from Winnipeg to the western provincial boundary. They have no branches or feeders, and as the district through which their main line runs is contiguous to other lines, there is no territory in Manitoba which may properly be considered the Grand Trunk Railway's. They operate 232 miles or 5.6 per cent of the 4,168 miles of railway in the province.

Saskatchewan.

The Grand Trunk Pacific in the province of Saskatchewan, besides the main line running northwesterly across the province, has six branches with a total mileage of about 1,213, for the province, or about one-fifth of all the mileage operated in the province, which is 6,162.

Alberta.

As well as the main line crossing the province of Alberta, about east and west, the Grand Trunk Pacific have a branch from Edmonton to Calgary, and two branches in the mountains serving coal mines. The largest portion of the main line east of Edmonton, and a great part of the Calgary branch, have opened up new territory, which the Grand Trunk Railway still have to themselves. The province has 4,273 miles of railway and the Grand Trunk Railway operates 664 miles, or 13.2 per cent.

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As a grain road the present lines of the Grand Trunk Railway in the three wheat provinces are well enough located, in fact in that respect nothing could be desired, but they suffer from "length without breadth"; in other words, they have not anything like sufficient feeder lines to their main line to enable them to originate business sufficient to "carry" their excellent main line.

British Columbia.

Across British Columbia, east and west, geographically about the centre, but on the northern fringe of the population, the Grand Trunk Pacific have a low grade, expensively built main line with a seaport at Prince Rupert. This is the only line the Grand Trunk control in British Columbia. From the station of Mount Robson, near which the Canadian Northern Railway swing southward, the Grand Trunk Railway have exclusively that territory westward to the Pacific. Unfortunately from a traffic standpoint this territory at the present has practically no population and is of such physical character that the development of population will be very slow; not that the ultimate prospects of this part of the country is questioned, but it is bound to take time, which, with the kind of line the Grand Trunk Pacific have to maintain, is going to prove very expensive. The Grand Trunk Railway operate 14.0 per cent or 695 miles out of the total provincial mileage of 4,247.

United States.

Some of the lines owned or controlled by the Grand Trunk in the United States are operated by themselves and reported under the Grand Trunk Railway Company. However, the majority of these American lines of theirs are operated by separate companies, who themselves have certain arrangements by lease or control of smaller railway companies which give feeders to the principal American companies.

The Grand Trunk Western Railway, operated under that name, is the most important, it operating from Port Huron (opposite Sarnia) to Chicago, a double track main line. As previously stated, the Grand Trunk opened the Atlantic & St. Lawrence Railway, which runs from Island Pond, at the international boundary, to Portland, Me. This railroad has two small subsidiary lines. The Central Vermont system is controlled entirely by the Grand Trunk, and the main line runs to New London, Conn. This system controls six branches in the States of New Hampshire and Vermont, and three branches in the province of Quebec.

The general relations of the American lines may probably be better understood by reference to the accompanying map which shows the territory of each operating company as well as the main cities and towns on their routes.

MILEAGE.

The grand total mileage of the whole system including the Grand Trunk Pacific and the Roads controlled and operated is summarized as follows:—

	Road Mileage.	Subsidiary Tracks.
Total owned, controlled and operated...	8,173.7	3,783.2
Controlled by G. T. R. operated by others...	189.0	62.7
<hr/>		
Total owned, controlled and leased but not all operated as system...	8,362.7	3,845.9
Giving a total <i>Trackage</i> controlled of...	12,208.6 m. inc. double track & sid.	
And a total <i>Trackage</i> operated of...	11,956.9	" " "

The Roadway Mileage is mainly divided as follows—

Operated and reported under <i>Grand Trunk Railway Company of Canada</i> —	
Operated in Canada...	3,592.4 miles
" in United States...	419.1 "
<hr/>	
Total reported by G. T. R. Co...	4,011.5 "

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Operated by <i>Controlled Companies in United States</i> and reported separately:—	
Operated in Canada	99.4 miles
" in United States	1,246.4 "
Total reported by Controlled Co's in U. S.	1,345.8 "
Operated by <i>Grand Trunk Pacific Railway</i> all in Canada:—	
Owned, controlled and leased	3,005.4 miles
Deduct, owned, but operated by others	189.0 "
Total operated by G. T. Pacific Ry.	2,816.4 "
Making total operated by System of	8,173.7 "

A Table is appended showing Double Track Sidings and Total Trackage divided between Canada and United States, and by various Companies comprising the system, showing miles, owned or controlled, and leased.

Another Mileage Table is attached, giving the Legal subdivisions of the mileage, dividing it between Canada, and United States, and if owned, controlled, leased or Trackage Rights.

This also outlines briefly the legal relation of Companies.

Reference numbers to map are given on these two tables.

There are 1,126 miles of double track operated; 743 being in Canada and 383 in United States.

GRAND TRUNK RAILWAY COMPANY

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MILES OF TRACK.

(DECEMBER 31, 1917)

No. on Map.	Canada.			United States.			Totals.					
	Roadway Mileage.			Subsidiary Tracks.			Roadway Mileage.			Subsidiary Tracks.		
	Owed or Con- trolled.	Leased or Rights.	Total.	Double.	Sidings.	Total.	Owed or Con- trolled.	Leased or Rights.	Total.	Double.	Sidings.	Total.
1 Grand Trunk Ry. Co.	3,395.3	....	3,395.3	711.0	1,348.0	2,059.0	165.2	1.5	166.7	1.0	84.1	85.1
2, 3 Atlantic & St. Lawrence.	1.1	....	1.1	52.2	0.5	52.2	1.1	1.1	162.5	2.2	2.2	251.8
10 St. Clair Tunnel.	162.5	....	162.5	40.0	0.5	0.5	0.5	0.5	1.0	1.0	1.0	2.2
4 Buffalo & L. Huron Rly.	0.5	....	0.5	0.5	0.5	0.5	1.2	1.2	2.8	2.8	2.8	2.0
9 International Bridge. ....	....	....	....	....	....	....	60.0	0.0	10.6	85.8	96.4	4.0
5 Champlain & St. Lawrence. ....	....	....	....	....	....	....	105.6	0.0	15.8	15.8	105.6	156.4
6 Chicago, Detroit & Can. ....	....	....	....	....	....	....	22.2	0.0	2.4	2.4	22.2	121.4
7 Michigan Air Line Rly. ....	....	....	....	....	....	....	54.1	54.1	35.1	35.1	54.1	24.6
8 United States & Can. R.R. ....	....	....	....	....	....	....	5.4	5.4	1.3	1.3	5.4	89.2
11 Cincinnati, Saginaw & Mackinaw Ry. ....	....	....	....	....	....	....	2.7	2.7	2.7	2.7	21.4	6.7
12 Lewiston & Auburn R.R.	21.4	21.4	21.4	....	....	....	....	....	....	....	....	24.1
13 Pembroke Southern Ry. ....	....	....	....	....	....	....	....	....	....	....	....	....
14 Trackage rights, T.N.O. Int. C. N.Y.C.	11.6	11.6	11.6	3.8	3.8	3.8	2.3	2.3	2.3	2.3	13.9	17.7
Total of Lines reported under G.T.R. Co.	3,559.4	33.0	3,592.4	727.5	1,390.7	2,118.2	355.8	63.3	419.1	12.1	227.3	239.4
15 Central Vermont Ry. ....	....	....	....	....	....	....	246.3	6.2	110.0	116.2	246.3	116.2
16 Montreal & Province Line Rly.	58.6	....	58.6	14.5	14.5	14.5	....	....	....	58.6	14.5	362.5
17 Stanstead, Shefford & Chamblly R.R.	40.8	....	40.8	3.4	3.4	3.4	....	....	....	40.8	3.4	73.1
18 Bethel Granite Rly. ....	....	....	....	....	....	....	....	5.4	5.4	5.4	5.4	44.2
19, 20 New London N. R.R. & W. River R.R. ....	....	....	....	....	....	....	159.5	159.5	49.2	49.2	159.5	208.7
21 Detroit, Grand Haven & Milwaukee Ry. ....	....	....	....	....	....	....	189.0	1.5	190.5	15.6	138.1	153.7
22, 25 Grand Trunk West Rly. ....	....	....	....	....	....	....	326.9	20.2	347.1	511.4	328.0	511.4
26 Pontiac, Oxford & Nor. R.R.	100.6	0.0	100.6	12.5	100.6	113.1
27 Detroit & Tol. Shore L. R.R.	47.6	33.2	33.2	80.8	20.9	37.9	58.8	58.8	139.6

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28, 29 Tol., Saginaw & Muskegon Ry. Co.	99.4	99.4	95.9	20.3	116.2	14.8	116.2	14.8	14.8	116.2	14.8	131.0
Total affiliated Roads reported in U.S.A.	99.4	99.4	17.9	17.9	1,011.7	234.7	1,246.4	370.7	545.9	916.6	1,345.8	934.5
Grand Trunk Pac. Rly. (inc. Sup. Br.)	1,962.0	7.4	1,969.4	15.9	418.3	434.2	.....	.....	.....	1,969.4	434.2	2,403.6
Grand Trunk Pac. Branch Line Co.	1,000.0	36.0	1,036.0	.....	119.6	119.6	.....	.....	.....	1,036.0	119.6	1,155.6
Total Grand Trunk Pac. (owned)	2,962.0	43.4	3,005.4	15.9	537.9	553.8	.....	.....	.....	3,005.4	553.8	3,559.2
Total Line owned, controlled and leased Can.	6,620.8	76.4	6,697.2	743.4	1,946.5	2,689.9	.....	.....	.....	.....	.....	.....
Deduct L. Superior Br., operated by C.N.R.	189.0	.....	189.0	.....	62.7	62.7	.....	.....	.....	189.0	62.7	251.7
Total line operated Can.	6,431.8	76.4	6,508.2	743.4	1,883.8	2,627.2	.....	.....	.....	.....	.....	.....
Total line operated United States.	1,367.5	298.0	1,665.5	382.8	773.2	1,156.0	1,367.5	298.0	1,665.5	382.8	773.2	1,156.0
Total line operated.	7,799.3	374.4	8,173.7	1,126.2	2,657.0	3,783.2	8,173.7	3,783.2	11,956.9

GRAND TRUNK RAILWAY COMPANY

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GRAND TRUNK RAILWAY SYSTEM.
MILEAGE AND LEGAL RELATIONS OF COMPANIES.

	MILEAGE.	Canada.				United States.				Total.
		Owned.	Con-trolled.	Leased.	Rights.	Total.	Owned.	Con-trolled.	Leased.	
	Miles.									
Grand Trunk Railway Co. of Canada owned by Parent Co. 3,382.9 miles (controls Owen Sound Branch—12.4 miles)	3,382.9	12.4				3,395.3				
1 Controls & Leases—by guaranteeing 6% on stock and owing Bonds.	165.2						165.2			
2 Atlantic & St. Lawrence R.R. who own, Portland, Maine, to Canadian Boundary	1.5							1.5		
3 and lease Norway Branch R.R. with						166.7				
Controls and Leases—by fixed perpetual rental of £70,000 and bonds—being charge on G.T.R. property.										
4 Buffalo & Lake Huron Rly.—who own Buffalo to Goderich Leases and Controls—by majority stock ownership	162.5					162.5				
5 Champlain & St. Lawrence R.R.—who own, Int. Boundary to Rouses Pt., New York						1.2				
Controls and Leases—by advancing deficiency in income to meet interest on bonds and 4% on stock (G.T.R. own 47.7% of stock and all bonds).										
6 Chicago Detroit & Canada G.T. Jct. R.R.—West Detroit to Fort Gratiot, Mich.	60.0						60.0			60.0
7 Michigan Air Line R.R.—Richmond to Jackson, Mich.	105.6							105.6		105.6
8 Leases and Controls—by 95% ownership of stock and all funded debt.									22.2	
United States & Canada R.R.—Massena Springs, N.Y. to Inter. Boundary	22.2									
Leases and Controls—by majority stock ownership and ownership all bonds.										
9 International Bridge Co.—Black Rock, N.Y., to Fort Erie, Can.	1.00						0.5			0.5
10 Controls St. Clair Tunnel—by ownership all stock Leases—by fixed rental till Jan., 2000, and G.T.R. own about 9% of stock.	2.24						1.1			1.1

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GRAND TRUNK RAILWAY SYSTEM.
MILEAGE AND LEGAL RELATIONS OF COMPANIES.

Mileage.					
Canada.			United States.		
Owned.	Controlled	Licensed.	Rights.	Total.	Controlled
<i>Grand Trunk Railway System of Canada—</i> Controls—by owning all Capital Stock (\$25,000,000)– <i>Grand Trunk Pacific Rly. Co.</i> , who own and operate Miles.					
Winnipeg to Prince Rupert.....	1,746.0	1,773.0	1.7	5.7	1,780.4
who own Branches.....	27.0	.....	.....	.....	.....
who lease.....	1.7	.....	.....	.....	.....
.....	5.7	.....	.....	.....	.....
and have trackage rights over.....	.....	.....	.....	.....	.....
and own, but C.N.R. operate Lake Superior	189.0	189.0	.....	189.0	.....
Branch.....	.....	.....	.....	.....	.....
This Company through entire stock ownership	1,000.0	1,000.0	.....	1,000.0	.....
controls the <i>Grand Trunk Pacific Branch Lines Co.</i>	.....	.....	.....	.....	.....
who operate and own.....	36.0	36.0	.....	1,036.0	.....
and lease.....	.....	.....	.....	.....	.....
Total G.T.P. owned and controlled.....	2,962.0	37.7	5.7	3,005.4	.....
Total G.T.R. Co's operation.....	3,382.9	176.5	21.4	3,592.4	419.1
Total G.T.R. affiliated Co. reported separately.....	.....	99.4	.....	99.4	25.3
.....	.....	.....	.....	1,011.7	1,246.4
Total Mileage Canada.....	3,382.9	3,237.9	59.1	17.3	6,697.2
Total Mileage United States.....	.....	1,367.5	270.4	27.6	1,665.5
Total Mileage Canada and United States.....	3,382.9	4,605.4	329.5	44.9	8,362.7
Deduct—Lake Superior Branch operated by C.N.O. Rly.....	.....	.....	.....	189.0	.....
Total Mileage Operated.....	3,382.9	4,605.4	329.5	44.9	8,173.7

GRAND TRUNK RAILWAY COMPANY.

GENERAL BALANCE SHEET—DECEMBER 31, 1918.

ASSETS.	£	s. d.	£	s. d.
<i>Property Investment in Road and Equipment—</i>				
<i>Fund Investments—</i>				
For Fire Insurance.....	£	s. d.	89,381,713	3 8
For compensation.....	247,788	17 6		
	62,233	17 8		
Calls in arrears on Capital Stock.....			310,022	15 2
			4,124	10 5
Toledo, Saginaw & M. Ry. 5 per cent Bonds.....	246,575	6 10		
Other Securities.....	1,283,176	14 4		
			1,529,752	1 2
<i>Current Assets—</i>				
Sundry Outstanding Accounts.....	9,007,979	3 9		
Outstanding Traffic Accounts.....	325,038	2 5		
Materials and Supplies on Hand.....	1,316,547	1 1		
			10,649,564	7 3
<i>Funded Debt—</i>				
Grand Trunk 5 per cent Deb. Stock			4,270,375	0 0
*Grand Trunk 4 per cent Deb. Stock			24,624,455	0 0
Great West. 5 per cent Deb. Stock			2,723,080	0 0
Northern 4 per cent Deb. Stock.....			308,215	0 0
Total Debenture Stocks.....			31,926,125	0 0
<i>Second Mtge. Equipment Bonds, 6 per cent</i>			372,900	0 0
Northern Third Mtge. 6 per cent Bonds			14,500	0 0
Canada Atlantic 4 per cent Bonds. Wellington, Grey & Bruce Bonds.....			3,287,690	2 9
Matured Bonds unpaid.....			60,800	0 0
			700	0 0
Total Funded Debt.....			35,662,715	2 9
<i>Advanced by Canadian Government</i>			3,111,500	0 0
<i>Equipment Trust Notes—</i>			1,251,986	6 0
“ Loans.....			183,643	16 9
			1,435,630	2 9
<i>Lcs Credit</i>			337,505	5 7
Notes Payable—unsecured.....			804,731	19 4
*Five Year 5½ per cent Secured Notes.....			2,500,000	0 0
*Three Year 6 “ due Jan., 1921.....			1,000,000	0 0
*Three Year 6 per cent Secured Notes, due Oct., 1921.....			2,999,700	0 0
			7,304,431	19 4

GRAND TRUNK RAILWAY COMPANY

GRAND TRUNK RAILWAY COMPANY.

GENERAL BALANCE SHEET—DECEMBER 31, 1918.

	£	s.	d.	£	s.	d.
<i>Current Liabilities—</i>						
Interest on Capital Account accrued	641,867	11	3			
Sundry Outstanding Accounts.....	3,166	435	10	4		
Wages unpaid at Dec., 1918.....	643	736	13	10		
Overdraft at Bank.....	233	194	15	0		
				4,685,234	10	5
<i>Reserves—</i>						
Fire Insurance Fund.....	247,768	10	0			
Special Compensation Fund.....	62,233	17	8			
Reserve for contingencies.....	400,000	0	0			
				710,002	7	8
<i>Advances to Controlled Companies—</i>						
Interest coupons held of—						
Grand Trunk West. Ry.	325,366	9	7			
Detroit, Grand Haven & Mil. Ry.	1,092,527	2	8			
Toledo, Saginaw & Muskegon Ry.	79,434	6	2			
				1,497,327	18	5
Net Income Balance.....						
				48,106	10	2
	£	103,690	935	7	8	

NOTE.—* £10,300,000 of Grand Trunk 4 per cent Debenture Stock further than above has been issued as collateral security for notes indicated thus*.

ASSETS.

<i>Property investment in Road and Equipment—</i>	\$161,990,999	37	<i>Capital Stock—</i>	
<i>and Investments—</i>			4% guaranteed stock.....	\$10,833,332
For fire insurance.....	\$ 1,205,905	81	1st preference 5% stock.....	51
For compensation.....	302,871	51	2nd “ 5% “	16,643,999
			3rd “ 4% “	78
				12,312,666
				50
				34,884,534
				95
“alls in arrears on capital stock.				
Toledo, Saginaw, and M. Ry. 5% bonds.....	\$ 1,199,999	98	Total preference stocks.....	\$124,674,533
Other securities.....	6,244,793	26	Common stock.....	74
				116,583,124
				44
				\$241,257,658
				27
<i>Funded Debt—</i>				
Grand Trunk 5% deb. stock.....			Grand Trunk 5% deb. stock.....	\$20,782,491
*Grand Trunk 4% deb. stock.....			*Grand Trunk 4% deb. stock.....	38
Great Western 5% deb. stock.....			Great Western 5% deb. stock.....	119,839,012
Northern 4% deb. stock.....			Northern 4% deb. stock.....	69
				13,252,322
				48
				1,499,979
				65
<i>Current Assets—</i>				
Sundry outstanding accounts.....	\$43,838,831	44		
Outstanding traffic accounts.....	1,581,852	15		
Materials and supplies on hand.....	6,407,195	57		
				51,827,879
				16
<i>Advances to controlled companies—</i>				
G. T. Western Ry. (general purpose),.....	\$ 261,352	04		
(under agreement).....	1,583,450	13		
				\$155,373,806
				20

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Notes.—"50,126,665 lbs of Grandin's salt were sent to the market for the use of the slaves."

GRAND TRUNK RAILWAY COMPANY

10 GEORGE V, A. 1919

Held by Public.						
	Mileage.			Funded Debt. Bonds and Debentures Notes—Loans.	Capital Stock Guaranteed or Pref.	(Held by public) Common
	Owned or Con- trolled.	Leased or Right.	Total.	U.S. Canada.	\$	\$
Grand Trunk Railway Co.— Parent Co.	3395.3		3395.3	3395.3	202,332,997	5,238,115
Controlled Co's. reported in G.T.R.						
operations—						
Atlantic & St. Lawrence R.R.	165.2	1.5	166.7	166.7 (owned by G.T.R.)		
St. Clair Tunnel	2.2		2.2	1.1 (owned)		
Buffalo & Lake Huron Ry.	162.5		162.5	3,656,283 (owned)		
International Bridge Co.	1.0		0.5	0.5 (owned)		
Champlain & St. Lawrence R.R.	1.2		1.2	1.2 (owned)		
Chicago, Detroit & Canada R.R.	60.0		60.0	60.0 (owned)		
Michigan Air Line Ry.	105.6		105.6	105.6 (owned)		
United States & Canada R.R.	22.2		22.2	22.2 (owned)		
Cincinnati, Saginaw & Mackinaw Ry. (lease only)						
Lewiston & Auburn R.R. (lease only)						
Pembroke Southern Ry. (lease only)						
Trackage rights—T.N.O. Ry.—Int. & N.Y.C.						
Total—Reported under G.T.R. Co.	3915.2	96.3	4011.5	3592.4	419.1	205,989 280
Central Vermont Ry. Co.	246.3		246.3	58.6	246.3	9,521,000
Montreal & Province Line Ry.	58.6		58.6	40.8		200,000
Stanstead, Shefford & Champlain R.R.	40.8		40.8	5.4		155,865
Bethel Granite Ry.	5.4		5.4			
New London Northern R.R. & West River R.R.					159.5	
Detroit, Grand Haven & Milwaukee Ry.	189.0	1.5	190.5			190.5
326.9	20.2		347.1			347.1
Grand Trunk Western Ry.	100.6		100.6			100.6
Pontiac, Oxford & Northern R.R.	47.6	33.2	80.8			80.8
Detroit, and Toledo Shore Line R.R.	95.9	20.3	116.2			116.2
Toledo, Saginaw & Muskegon Ry. Co.						

Total held by public.	\$ 5,483,800 6,211,916 806,600
(owned)	5,483,800 6,211,916 806,600
(4%)	572,685
(owned)	572,685
(11,075)	11,075

(owned by G.T.R.)	808,900
“	“
“	“

(owned by C.V.R.)	10,770,900 200,000 155,865
“	“
“	“

(owned by G.T.R.)	4,763,000 11,972,100 400,000 1,500,000
(owned by G.T.W.)	“
(jointly owned)	“
(owned by G.T.R.)	“

GRAND TRUNK RAILWAY COMPANY

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Total affiliated Roads reported in U.S.A.	1111.1	324.7	1345.8	99.4	1246.4	29,761,865
Total all lines except Grand Trunk Pacific.	5026.3	331.0	5357.3	3691.8	1665.5	26,460,965
Grand Trunk Pacific.	232,450,245	7,730,115	133,286,651	118,209,695	118,209,695	2,492,000
Per Mile owned and controlled (50263)	46,247	26,518	1,538	23,518	97,821	808,900
Dec. 31, 1918.						
Grand Trunk Pacific Ry. Co. (including L. Superior Br.)	1962.0	7.4	1969.4	199,466,671	199,466,671	808,900
Grand Trunk Pacific Branch Lines Co.	1000.0	36.0	1036.0	16,786,440	16,786,440	2,492,000
Total Grand Trunk Pacific Ry.	2962.0	43.4	3005.4	216,253,111	216,253,111	2,492,000
Per Mile owned and controlled (2962.0)	73,009	....	....	73,009	73,009	808,900
7988.3	374.4	8362.7	6697.2	1665.5	1665.5	808,900
Total Grand Trunk Railway System.	133,286,651	448,703,356	7,730,115	7,730,115	7,730,115	2,492,000
Per Mile owned and controlled (7988.3)	56,170	967	14,798	14,798	14,798	88,621

GRAND TRUNK PACIFIC RAILWAY.

GRAND TRUNK RAILWAY COMPANY

10 GEORGE V, A. 1919

THE GRAND TRUNK RAILWAY COMPANY OF CANADA
DIVIDED BETWEEN GOVERNMENT FOR 1918-1919.

Description of Security.	Rate.	Principal.		Annual Interest.		January.		March.		April.		May.		July.		Sept.		Oct.		Nov.	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
1st Mortgage Gold Sterling Bonds (Govt. own \$23,093,333).....	3	68,133,333	2,044,000	Dom. Govt.	1,022,000																
Sterling Bonds.....	4	8,440,848	337,634	“	168,817																
Total.		76,574,181	2,381,634	Dom. Govt.	1,190,817																
1st Mortgage Lake Sup. Br.	4	7,533,000	301,320	G. T. R.	150,660																
2nd Mortgage Series A. and B.	4	20,169,000	806,760	“	403,380																
Debenture Stock.....	4	34,879,253	1,395,170	“	697,585*																
Loan from Dom. Govt. (secured by Debenture Stock).....	4	15,000,000	600,000	“	300,000																
Secured Notes.....	5	9,720,000	486,000	“	243,000																
Loan from Dom. Govt. (secured by Bonds due 1st April, 1919).....	4	10,000,000	400,000	“	200,000																
Total.		97,301,253	3,989,250	G. T. R.	754,010																
Loan from Dom. Govt. (secured by \$7,500,000 4 per cent Sterling Bonds).....	5	6,000,000†	300,000	Security.....	300,000																
Loan from Dom. Govt. (secured by Mortgage).....	5	7,081,783	354,090	“	177,045																
Loan from Dom. Govt., 1917.....	6	5,038,054	302,284	“	151,142																
“ 1918.....	6	7,471,490	448,284	“	224,142																
Total.		25,591,237	1,404,658	Security.....	552,329																
G.T.P. Branch Lines 'o.																					
1st Mortgage Bonds, Alberta.....	4	3,589,596	143,584	Alberta Govt.	71,792																
“ Saskatchewan.....	4	11,315,052	452,602	Sask. Gov.	226,301																
“ “ “	4 ₂	1,881,792	84,680		42,340																
Total.		16,786,440	680,866	Provincial Govt.	340,433																
Grand Total.....		216,253,111	8,456,408		2,043,146	940,585	754,040	490,433	2,043,146	940,585	754,040	490,433	2,043,146	940,585	754,040	490,433	2,043,146	940,585	754,040	490,433	

Mr. T. R. Guernsey for interest only, and after their own fixed charges.

† This loan was due May 1st so Dominion Government may have become owners of Seebeck on May 1st, and November, the same amount but it will be due in January and July instead of May and November.

GRAND TRUNK PACIFIC BRANCH LINES COMPANY.

GENERAL BALANCE SHEET—JUNE 30, 1918.

GRAND TRUNK RAILWAY COMPANY

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ASSETS.	LIABILITIES.
Property Investment in road and equipment.....	\$ 29,186,593
Unadjusted Debits.....	71,320
securities in Treasury.....	10,507
<i>rent Assets—</i>	
Cash in Bank.....	\$ 70,919
Due from solvent Co's.....	121,489
Special deposit.....	3
<i>Loss.....</i>	
:	
Loss.....	192,441
:	448,966
<i>Deferred Liabilities.....</i>	
	\$ 29,909,827
<i>Capital Stock.....</i>	\$ 1,002,000
<i> I^{ndeeded} Debt—</i>	
1st Mortgage 4% Bonds guaranteed by Alberta Govt.....	\$ 3,589,596
1st Mortgage 4% Bonds guaranteed by Sask. Govt. .	11,315,052
1st Mortgage 4½% Bonds guaranteed by Sask. Govt. .	1,881,792
	16,786,440
<i>Current Liabilities—</i>	
Loans and Bills Payable.....	\$ 11,019,687
Audited Accounts—Wages.....	143,035
Matured interest coupons unpaid.....	25,768
Miscellaneous accounts payable.....	807,063
Unmatured interest unpaid.....	113,477
	12,109,030
	12,357
	\$ 29,909,827

10 GEORGE V, A. 1919

GRAND TRUNK RAILWAY.

GROSS EARNINGS, OPERATING EXPENSES AND NET EARNINGS.—6 MONTHS 1919.

Date.	Gross.	Expenses.	Net.	Oper. per cent.	Increase over last year.
January.....	\$ 4,405,403	5,121,778	716,377*	116.26	\$ 81,816
February.....	4,090,800	4,401,019	310,219*	107.58	660,372
March.....	5,517,223	4,676,174	841,049	84.75	763,616
April.....	5,360,896	4,604,585	756,311	85.89	93,017
May.....	5,275,671	4,606,533	669,138	87.31	36,525*
June.....	4,951,329	4,647,928	303,401	93.87	707,511*
Six months.....	29,601,321	28,058,018	1,543,303	94.78	691,053

* Decrease or Deficit.

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GRAND TRUNK RAILWAY COMPANY.
INCOME ACCOUNT—DECEMBER 31ST.

	1918.	1917.	1916.	1915.	1914.	1913.	1912.
Average Miles operated	4,008	4,011	4,008	4,015	4,015	3,546	3,545
Operating Earnings	\$ 61,588,756	\$ 52,197,401	\$ 47,789,345	\$ 40,357,748	\$ 41,837,604	\$ 46,818,190	\$ 41,109,156
Operating Expenses (in. t. xes)	\$ 53,435,805	\$ 43,814,083	\$ 35,176,398	\$ 31,688,117	\$ 33,297,339	\$ 35,340,809	\$ 29,822,777
Net Earnings	\$ 8,152,951	\$ 8,383,262	\$ 12,613,003	\$ 8,669,631	\$ 8,540,265	\$ 11,477,381	\$ 11,286,378
Other Income	\$ 2,893,568	\$ 2,657,934	\$ 2,479,664	\$ 3,695,114	\$ 3,322,688	\$ 1,495,201	\$ 1,051,166
Gross Income	\$ 11,046,519	\$ 11,041,196	\$ 15,092,667	\$ 12,364,745	\$ 11,862,953	\$ 12,972,582	\$ 12,337,544
<i>Deductions—</i>							
Rental, leased lines	\$ 340,666	\$ 755,335	\$ 755,335	\$ 755,335	\$ 755,335	\$ 755,335	\$ 755,335
Interest on Bonds, Debentures and Loans	\$ 7,332,611	\$ 7,332,310	\$ 7,332,310	\$ 7,331,350	\$ 7,261,232	\$ 6,913,042	\$ 5,806,167
Interest on Notes	\$ 1,725,165	\$ 1,523,500	\$ 1,459,611	\$ 1,088,916	\$ 486,667	40,963	...
Reserve for Contingencies							
Deficit Det. Grand Haven & M. Ry							
“ Grand Trunk Western Ry							
“ Toledo, Saginaw & Muskegon Ry							
Total Deductions	\$ 11,037,759	\$ 10,913,300	\$ 11,188,233	\$ 9,879,416	\$ 9,794,055	\$ 8,217,253	\$ 7,639,050
Surplus available for dividends	\$ 8,760	\$ 127,896	\$ 3,904,434	\$ 2,485,329	\$ 2,068,898	\$ 4,755,329	\$ 4,698,494
<i>Dividends—</i>							
Guaranteed Stock (4 $\frac{1}{2}$ %)				\$ 2,433,333	\$ 2,433,333	\$ 2,129,167	\$ 2,417,870
1st Pref. “ (5 $\frac{1}{2}$ %)				\$ 831,431	\$ 831,431	...	\$ 831,430
2nd “ “ (5 $\frac{1}{2}$ %)				\$ 615,244	\$ 615,244	...	\$ 615,244
3rd “ “ (4 $\frac{1}{2}$%)				...	...	...	\$ 871,698
No Dividends	\$ 8,760	No Dividends	\$ 3,880,008	\$ 2,433,333	\$ 2,129,167	\$ 4,736,242	\$ 4,669,513
Surplus after dividends			\$ 24,426	\$ 51,996	\$ (d) 60,269	\$ 19,087	\$ 28,981

(d) Deficit.
(xx) Estimated loss on lines in United States taken under Federal control by the United States Railroad Administration.

GRAND TRUNK RAILWAY SYSTEM (Without G. T. Pacific).
REVENUES COMBINED ROADS (FOR YEAR 1917).

	Grand Trunk Ry. Co.	Central Vermont Ry. Co.	Detroit G. Haven Milwaukee Ry.	Grand Trunk Western Ry.	Pontiac, Oxford & Northern Ry.	Toledo, Saginaw Muskegon Ry.	Total.
Average Miles Operated.....	4,011.5	510.6	190.5	427.9	100.6	116.2	5,357.3
Total Operating Revenue.....	\$ 52,197,345	\$ 4,482,810	\$ 3,403,425	\$ 10,165,881	\$ 304,537	\$ 206,823	\$ 70,760,821
Operating Expenses (without taxes).....	\$ 42,619,755	\$ 3,730,687	\$ 3,148,678	\$ 7,825,914	\$ 362,001	\$ 302,786	\$ 57,989,821
Taxes.....	\$ 1,194,328	\$ 200,837	\$ 43,033	\$ 452,974	\$ 10,557	\$ 8,043	\$ 1,909,772
Operating Expenses (including taxes).....	\$ 43,814,083	\$ 3,931,524	\$ 3,191,711	\$ 8,278,888	\$ 372,558	\$ 310,829	\$ 59,899,593
Net Earnings.....	\$ 8,383,262	\$ 551,286	\$ 211,714	\$ 1,886,993	\$ 68,021	\$ 104,006	\$ 10,861,228
Other Income.....	2,657,934	160,793	(*) 10,202	880,812	.....	96,832	3,806,573
Received from Grand Trunk to pay deficit.....	.....	.....	698,980	463,306	(x) 119,416	139,868	1,302,154
Received from Grand Trunk Western to pay deficit.....	.....	.....	.....	.....	.....	.....	119,416
Gross Income.....	\$ 11,041,196	\$ 712,079	\$ 920,896	\$ 3,231,111	\$ 51,395	\$ 132,694	\$ 16,089,371
<i>Deductions—</i>							
Rental, Leased Lines, Hire Equipment, etc.....	\$ 755,336	\$ 311,673	\$ 543,688	\$ 1,846,085	\$ 27,384	\$ 49,594	\$ 3,533,760
Interest on Bonds, Loans, Notes, etc. to Public.....	\$ 8,855,810	\$ 402,240	\$ 285,780	\$ 484,512	\$ 24,011	.....	\$ 10,052,353
Interest on Bonds, Loans, Notes, etc., to Parent Co. ....	.....	52,444	\$ 9,995	\$ 878,520	.....	83,100	1,104,059
Deficit Subsidiary Co's.....	1,302,154	.....	.....	.....	.....	.....	1,302,154
.....	.....	.....	.....	.....	.....	.....	100,451
Total Deductions.....	\$ 10,913,300	\$ 866,808	\$ 919,463	\$ 3,209,117	\$ 51,395	\$ 132,694	\$ 16,092,777
Surplus for year 1917 by Poors.....	127,896	154,729	1,433	21,994	-000	000	151,323
or deficit for year 1917 by Poors.....	.....	.....	.....	.....	.....	.....	154,729
G. T. R. Co. annual statement shows deficit paid (presumably other income in Poors).....	.....	.....	(*) (698,980)	(463,306)	(139,868)	(1,302,154)	.....
Total deficit for year.....	.....	.....	.....	.....	.....	.....	3,406
G.T.R. surplus.....	127,896	23,427	.....	.....	.....	.....	.....
Other surplus Det. G. Haven & Mil. G.T. Western.....	.....	.....	.....	.....	.....	.....	.....
Total surplus.....	151,323	154,729	.....	.....	.....	.....	.....
Total Deficits of System.....	\$ 3,406

Note.—(*) For 18 months.
(x) By deduction, this must have been advanced by G.T.W.

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GRAND TRUNK PACIFIC.

Income Account.		Year ending June 30 (from Returns to Dept. R. & C.)			
	Year ending Dec. 31.	1918.	1917.	1916.	1915.
Operating Earnings (1).		\$ 7,986,029	7,855,741	6,651,298	6,963,189
“ Expenses (2)		10,734,599	8,269,814	5,902,843	7,383,665
Revenue outside operations.		† 2,748,570	† 414,073	† 205,735	1,060,346
		8,109	72,963	10,558	96,140
Net Deficit, before taxes.		2,740,461	341,109	205,735	† 1,070,904
Taxes.		53,205	49,963	44,726	.....
Operating Loss.		2,793,666	391,072	250,461	.....
Other Income.		1,920,026	2,335,409	2,535,064	.....
Gross income.		873,640	1,944,337	2,284,603	.....
<i>Deductions.</i>					
Rents, etc.		*150,000	151,109	155,989	.....
Loss—operation Branch Lines.		1,497,197	1,891,972	908,618	.....
Interest on Funded Debt.		7,775,542	6,368,084	6,368,093	6,137,834
Other Interest.			901,577	551,720	4,905,708
Other Charges.			21,164	7,773	3,709,556
Deficit for Year.		9,442,739	9,333,906	7,992,184	.....
Operating Ratio (2) to (1).		10,316,379	7,389,568	5,707,581	.....
Operating Ratio (2) to (1).		105.27	104.06	84.77	110.86
					92.03
					89.14

Statistics.

	1918.	1917.	1916.	1915.	1914.	1913.
Miles of National Transcontinental operated.....	0	0	0	0	0	274.4
Miles of lines controlled and operated.....	1,988.1	1,969.25	1,968.41	2,235.1	1,403.7	1,401.9
Average Miles operated.....	1,794	1,780	1,962	1,962	1,367	1,367.5
Freight Train miles.....	2,002,253	1,513,550	1,736,045	1,798,659	2,362,555	2,176,467
Passenger Train mile.....	986,247	967,017	994,074	1,168,791	1,396,250	1,222,867
Mixed Train miles.....	93,690	178,802	52,188	145,210	188,020	341,463
Special Train miles.....	473	90	1,186	12,491	2,509	2,323
Total Revenue Train Mileage.....	3,082,663	2,659,459	2,783,493	3,125,151	3,949,334	3,743,120
Revenue Freight tons.....	2,138,472	1,725,708	1,972,054	1,454,061	1,792,445	1,561,457
" one mile tons (1000).....	815,253	623,645	714,572	683,064	991,781	816,647
" one mile per mile road.....	454,433	350,275	407,884	311,332	728,715	597,182
Average Haul per ton—miles.....	381	361	362	469	553	523
Average rate per ton—per mile (cents).....	430,762	0.71	0.73	0.69	0.72	0.77
Passengers carried.....	2,77	2,77	2,60	2.81	1.99	2.02
Average Fare per passenger (dollars).....	0	0	0	0	0	0
Under Construction—miles.....	0	0	0	0	0	385.8

Note.—No information was furnished for years 1916 to 1913 for Taxes, Other income; or any further information of deduction from income. No operating figures were given for 1912, as road was said to be "under construction."

*Approximate.

(†Def.) ‡Surplus.

Traffic Statistics. Year ending June 30.

Year ending Dec. 31, 1918.	1917.	1916.	1915.	1914.	1913.	1912.
Average Miles operated.....						
Freight Train Miles.....	4,008	4,008	4,008	4,015	4,015	3,546
Passenger Train Miles.....	10,363,385	11,098,679	12,821,281	10,685,171	11,465,987	12,110,763
Mixed Train Miles.....	6,685,339	8,004,431	9,234,657	8,933,001	9,607,493	9,352,996
Special Train Miles.....	653,135	728,205	823,249	732,225	646,983	477,360
<i>Total Train Miles.....</i>	<i>17,702,359</i>	<i>19,832,385</i>	<i>22,884,317</i>	<i>20,550,397</i>	<i>21,720,462</i>	<i>21,941,125</i>
Revenue Freight—tons.....						
Revenue freight one mile tons (-000).....	24,905,484	25,272,449	22,710,527	20,696,506	21,473,864	23,218,982
Revenue tons one mile per mile of road.....	5,028,293	4,703,164	4,632,376	3,748,315	3,886,370	4,093,910
Average haul per ton—miles.....	1,254,564	1,173,444	1,155,783	933,578	967,963	1,154,575
Average revenue train load—tons.....	202	186	204	181	181	176
Average rate per ton per mile (cents).....	485	426	346	328	321	327
Average rate per ton per mile (cents).....	0.90	0.76	0.67	0.70	0.68	0.69
<i>Passenger carried.....</i>	<i>10,018,718</i>	<i>12,132,884</i>	<i>13,132,611</i>	<i>12,082,238</i>	<i>12,781,000</i>	<i>12,400,350</i>
Average fare per passenger (cents).....	113.57	93.21	90.54	85.06	90.84	94.31
Earnings.						
Passenger Receipts.....	\$ 11,382,827	\$ 11,294,855	\$ 11,886,064	\$ 10,264,967	\$ 11,613,482	\$ 13,145,519
Freight and Live Stock.....	45,035,534	35,717,024	51,082,012	26,195,812	26,459,132	29,866,261
Mail and Express.....	2,338,112	2,478,622	2,375,794	2,059,564	1,928,402	1,935,770
Miscellaneous.....	2,832,288	2,706,844	2,445,526	1,837,405	1,836,588	1,870,640
<i>Total Operating Earnings.....</i>	<i>61,588,761</i>	<i>52,197,345</i>	<i>47,789,401</i>	<i>40,357,748</i>	<i>41,837,604</i>	<i>46,818,196</i>
Expenses.						
Maintenance of Way and Structures.....	7,809,919	6,005,365	4,879,948	5,236,831	5,496,676	4,634,493
Maintenance of Equipment.....	14,434,684	9,380,688	7,329,455	6,932,127	7,132,742	6,611,318
Traffic Expenses.....	980,200	1,189,600	1,165,642	1,367,022	1,430,761	1,212,399
Transportation.....	27,187,362	24,533,942	19,711,856	17,907,067	19,201,061	15,656,854
General Expenses.....	2,561,635	1,490,161	1,469,720	1,561,709	1,241,108	1,063,332
<i>Total Working Expenses.....</i>	<i>52,379,782</i>	<i>42,619,755</i>	<i>34,101,510</i>	<i>30,689,988</i>	<i>34,502,350</i>	<i>29,178,396</i>
Taxes.....	1,056,023	1,194,328	1,074,888	998,129	863,210	838,459
<i>Total expenses.....</i>	<i>53,435,805</i>	<i>43,814,083</i>	<i>35,176,398</i>	<i>31,688,117</i>	<i>33,297,339</i>	<i>29,822,777</i>

GRAND TRUNK RAILWAY COMPANY.

Traffic Statistics. Year ending June 30.

Year ending Dec. 31 1918.	1917.	1916.	1915.	1914.	1913.	1912.
<i>Expenses to Total Earnings (per cent.)</i>						
Maintenance of Way and Structures.....	12.68%	11.51%	9.26%	12.09%	12.52%	11.74%
Maintenance of Equipment.....	23.44	17.97	15.34	16.97	16.00	15.23
Traffic Expense.....	1.57	2.28	2.44	2.87	3.27	3.06
Transportation.....	44.14	47.04	41.24	40.25	42.80	41.01
General Expense.....	4.16	2.85	3.08	3.87	3.08	2.65
Total Expense Operating.....	85.04	81.65	71.36	76.05	77.67	73.69
Taxes.....	1.71	2.29	2.24	2.47	1.92	1.79
Total Expense including taxes.....	86.75	83.94	73.60	78.52	79.59	75.48

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GUARANTEES AS AT DECEMBER 31st, 1917.

Guarantees by the Grand Trunk Railway Company have been made for The Grand Trunk Pacific, of \$97,301,253—\$62,422,000 for principal and interest and \$34,879,253 for interest only. Detail of this is in an attached statement. \$25,000,000 of the foregoing total of \$62,422,000 is guaranteeing loans made by the Dominion Government.

Besides the guarantees to the Grand Trunk Pacific, the Grand Trunk Railway Company have guaranteed the following:—

Atlantic & St. Lawrence R.R.

5% on Capital Stock of \$5,484,000 as rental.

Buffalo & Lake Huron Ry.

£70,000 or \$340,666 rental, £42,500 or \$206,833 of which takes precedent to Grand Trunk Ry. 1st Mortgage Bonds, and balance after 2nd mortgage bonds.

Central Vermont.

The Grand Trunk Railway guarantee the interest on the bonds by traffic contract up to an amount equal to 30% of the gross receipts from interchange business.

Southern New England Railway.

Under construction. Information at hand is very incomplete. In May, 1916, the Central Vermont Ry. got authority to issue \$30,000,000 of Bonds, bearing guarantee of Grand Trunk Railway Company, but what portion, if any, of this issue was made, it cannot be said.

Detroit, Grand Haven & Milwaukee Ry.

The Grand Trunk Railway Company guarantees principal and interest of all the 6% Bonds (Consolidated and Equipment) of which \$4,763,000 are held by the public. The rest are owned by the Grand Trunk Railway Company.

Grand Trunk Western Railway.

The Grand Trunk Railway Company have guaranteed unconditionally the interest on the \$14,999,720 1st mortgage 4% bonds of this company, and have assumed all the \$3,872,000 5% bonds of the *Grand Trunk Junction Railway*, of which they have exchanged £606,000 or \$2,949,200 worth for Grand Trunk Ry. 4% Consolidated Debenture Stock, which leaves \$922,800 worth in the hands of the public.

Pontiac, Oxford & Northern R.R.

The Grand Trunk Ry. have assumed the \$400,000 of 6% 1st mortgage bonds, due July 1st, 1916, of this Company. It will be noted these have matured and stand unpaid. The interest of these still appears in the Income Account of Company, so it is assumed these securities are standing in "Statu Quo" pending settlement.

Detroit and Toledo Shore Line R.R.

Jointly and severally with the Toledo, St. Louis and Western R.R. the Grand Trunk Western Ry. have guaranteed the \$3,000,000 of 4% 1st mortgage bonds of this Company for principal and interest. This is not a direct guarantee of the Grand Trunk Railway Company, but might affect them as such, through their ownership of all stock, part of bonds, and guarantee of all bonds of The Grand Trunk Western Railway.

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Chicago, Detroit & Canada G.T.R. Junction Ry.

The Grand Trunk Railway Company guarantee, under a lease of this road, interest on bonds of this road, but they (the G.T.R. Co.) own all these bonds; also guarantee interest of 4% on the \$1,095,000 capital stock issued, but the Grand Trunk Railway own \$522,315 of this stock, which leaves \$572,685 of the stock in the hands of the public, carrying the G.T.Ry's guarantee for 4% interest. Fixed rentals for roads leased, which do not imply guarantees are not included above.

DATES OF MATURITY, SHORT TERM SECURITIES.

G.T.R. Co.

Outstanding June 25th, 1918 (Poor's).

1. \$1,576,000. Equipment trust 4½ per cent Gold Notes, Series "A", Dated May 1st, 1912, due—\$197,000 semi-annually to May 1st, 1922, inc.
2. \$1,512,000. Equipment trust 4½ per cent Gold Notes, Series "B", Dated Nov. 1st, 1912, due—\$168,000 semi-annually to Nov. 1st, 1922, inc.
3. \$1,233,000. Equipment 4½ per cent notes, Series "C", Dated Nov. 1st, 1913, due—\$113,000 to Nov. 1st, 1918 and \$112,000 semi-annually, from May 1st, 1919 to Nov. 1st, 1923, inc.
4. \$2,375,000. Equipment 5 per cent Notes, Series "D", Dated Aug. 1st, 1917, due—\$125,000 semi-annually Feb. 1st, and Aug. 1st, to August 1st, 1927, inc.
5. £3,000,000 6 per cent 3-year secured notes dated Oct. 1st, 1918, repayable 1st Oct., 1921.
6. £2,500,000 5-year 5½ per cent secured notes dated July 1st, 1915, due July 1st, 1920.
7. £1,000,000 3-year 6 per cent secured notes, dated Jan. 15th, 1918, due Jan. 14th, 1921.

£5,910,959—\$28,766,666 as total by Poor's June 25th, 1918.

8. \$165,000.—Whipple Car Company First Real Estate & Collateral Car Trust Gold, 6 per cent. Dated December 1st, 1912, due \$30,000 annually to Dec., 1921, inclusive, and \$45,000 Dec. 1st, 1922, secured by manufacturing plant of Company, etc., and assumed by Grand Trunk Railway Company, original issue \$300,000.

They also show:—

9. £475,405. Notes Payable, with no further enlightenment.

Central Vermont Railway.

10. \$441,000—5 per cent Equipment Trust Gold Notes, Series "D" issued Feb. 1st, 1912, due \$49,000 each Feb. 1st, and August 1st, to Feb. 1st, 1922.
- and the Central Vermont have a contingent liability for short term paper for—
12. \$87,000.—1st Guaranteed Gold 5 per cent and—
13. \$450,000. Guaranteed Gold, 5 per cent Series "B" of the Central Vermont Transportation Company. (No details of dates given.)

Detroit, Grand Haven & Milwaukee Ry.

14. \$2,000,000 1st Equipment Mortgage 40-year, 6 per cent, due Nov. 1st, 1918,—Of these the Grand Trunk Company hold \$39,000.
15. \$3,200,000. Consolidated Mortgage 40-year 6 per cent, due Nov. 1st, 1918,—of these the Grand Trunk Ry. Company hold \$398,000.

It will be noted that these, although not short term paper, being due in 1918, have been cited, as they must have been taken care of in some way by this time, either temporarily or by some bond issue.

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Grand Trunk Western Railway.

16. \$90,000.—Thorton Junction and Land Mortgage, 5½ per cent, dated Dec. 12th, 1913, due Dec. 12th, 1918, secured by land acquired for yard purpose at Thorton Jct., Ill.

17. \$400,000.—Pontiac, Oxford & Northern R.R. 1st Mortgage 6 per cent 20-year Gold Bonds—due July, 1916, therefore due and unpaid. These were assumed by the G.T. Western Ry. in Nov., 1909, when they acquired the road (Note—This funded debt is still shown in Balance Sheet, Dec. 31st, 1917, of P.O. & N.R.R.)

Grand Trunk Pacific Railway.

18. £2,000,000 or \$9,733,333 5 per cent Secured notes dated March 2nd, 1914, due March 2nd, 1921, guaranteed by G.T.R. P. & I. by endorsement.

19. \$10,000,000 4 per cent Dominion Government Loan, due May, 1919, guaranteed by G.T.R. secured by G.T.P. Bonds.

20. \$15,000,000 4 per cent Government Loan, due July, 1923, secured by G.T.P. Debentures and guaranteed G.T.R.

TO RECAPITULATE BY PARENT COMPANY AND SUBSIDIARIES AND IN ORDER OF DATES DUE.

Grand Trunk Railway Company—Parent Company (at June 1918).

Item.	Amount.	Final Due Date.	Dollars.
6	£2,500,000	July 1st, 1920.....	12,166,667
7	1,000,000	January 14th, 1921.....	4,866,667
1	\$1,576,000	May 1st, 1922.....	1,576,000
2	1,512,000	Nov. 1st, 1922.....	1,512,000
8	165,000	Dec. 1st, 1922.....	165,000
3	1,233,000	Nov. 1st, 1923.....	1,233,000
4	2,375,000	Aug. 1st, 1927.....	2,375,000
Total due subsequent to January, 1919, and outstanding at June, 1918.....			23,894,334
<i>Subsidiary Companies.</i>			
14	\$ 2,000,000	Nov. 1st, 1918.....	2,000,000
15	3,200,000	Nov. 1st, 1918.....	3,200,000
	\$ 5,200,000	Total due before January, 1919.....	5,200,000
10	\$ 441,000	Feb. 1st, 1922.....	441,000
12	87,000	No dates given.....	87,000
13	450,000	" "	450,000
	\$ 978,000	Total due subsequent to January, 1919, and outstanding at June, 1918.....	978,000
<i>Grand Trunk Pacific.</i>			
19	\$10,000,000	April, 1919.....	10,000,000
18	£2,000,000	March 2nd, 1921.....	9,733,333
20	\$15,000,000	July 1st, 1923.....	15,000,000
			34,733,333

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DEFICITS for Central Vermont Railway and Income Cost to Grand Trunk Railway for the Atlantic and St. Lawrence R.R. for past seven years.

Central Vermont Ry.	Deficit	Surplus.	
1910-11 June 30th	90,251	Moody's Manual, 1917.	
1911-12 " 30th	12,953	" " 1917.	
1912-13 " 30th	9,795	" " 1917.	
1913-14 " 30th	259,258	" " 1917.	
1914-15 " 30th	15,418	Poor's " 1918.	
1915-16 " 30th	175,208	" " 1918.	
1916 Dec. 31st.	31,582	" " 1918.	
1917 " 31st...	154,729	" " 1918.	
Totals.	423,782	325,412	
Bal. deficit $7\frac{1}{2}$ years.....	98,370	= average	\$11,809 per year.
<i>Atlantic & St. Lawrence R.R.</i>			
1910-11 June	646,500	Moody's Manual, 1917.	
1911-12 "	653,394	" " 1917.	
1912-13 "	610,688	" " 1917.	
1913-14 "	432,554	" " 1917.	
1914-15 "	421,136	" " 1917.	
1915-16 "	179,067	" " 1917.	
1916 June to Dec.	266,565	Poor's " 1918.	
1917 December...	1,272,496	" " 1918.	

INCOME COST TO GRAND TRUNK RAILWAY FOR ATLANTIC SEABOARD CONNECTION.

Atlantic & St. Lawrence R.R. & (Norway Branch R.R.)

Net earnings 1917 show deficit..	\$ 669,623
1915-16 had other income..	13,573
Leaves net deficit..	\$ 656,050
Interest on bonds..	171,900
Rentals 1915-16 were..	68,132
Deficit before Dividend..	\$ 896,082
Guaranteed Dividends..	330,598
Total deficit for 1917..	\$1,226,680

From Poor's 1917 Net earnings deficit..	\$ 669,623
" " Charges..	602,873
Makes total deficit..	\$1,272,496

The Grand Trunk figures only show \$330,598 as rental for expense of carrying this road.

The bonds are owned by G.T.R. who have issued against these, their own securities, and this fixed charge is therefore buried in their general figures.

It does not appear where the balance of this deficit is in annual statement of G.T.R. 1917, separately; but as operating figures are amalgamated for G.T.R. Co., which include this road—they would not be segregated in an annual report.

Previous deficits for this road for the last six years would average \$500,000 per year, on the above basis.

Central Vermont Railway.

As will be seen in the Combined Revenue Statement for G.T.R. roads, the Central Vermont showed a net deficit for 1917 of \$154,729 after paying fixed charges.

In the previous six years the deficits would about balance the surpluses after fixed charges were paid.

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DEFICITS Western American Subsidiary Companies paid by Grand Trunk Railway
in last seven years.

Dec. 31st	Det., Grand H. and Milwaukee.	G.T. Western.	Tol., Sag. and Musk.	Total.
1911.....		£ 129,273		£129,273
		\$ 629,129		\$ 629,129
1912.....		£ 221,414		£221,414
		\$1,077,548		\$1,077,548
1913.....	£ 83,870		£ 20,496	£ 104,366
	\$ 408,167		\$ 99,747	\$ 507,914
1914.....	£103,742	£ 135,348	£ 26,147	£ 265,237
	\$ 504,878	\$658,693	\$ 127,249	\$1,290,820
1915.....	£ 1,879	£ 122,177	£ 20,563	£ 144,619
	\$ 9,144	\$ 594,595	\$ 100,073	\$ 703,812
1916.....	£ 40,239	Cr. £ 119,208	£ 16,156	Cr. £ 62,813
	\$ 195,830	Cr. \$ 580,146	\$ 78,626	Cr. \$ 305,690
1917.....	£ 143,626	£ 95,200	£ 28,740	£ 267,566
	\$ 698,980	\$ 463,306	\$ 139,868	\$1,302,154
Total, 7 years.....	\$1,816,999	\$2,843,125	\$ 545,563	\$5,205,687
Average, 1 year.....	\$ 259,654	\$ 406,168	\$ 77,935	\$ 743,669

NOTES:—Figures 1911 to 1915 from Poor's 1916-1917; G.T.P. annual report, 1917. £ Means pounds sterling.

GRAND TRUNK RAILWAY COMPANY.

DIVIDENDS PAID.

GRAND TRUNK RAILWAY COMPANY

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GRAND TRUNK RAILWAY COMPANY.

VOTING POWER OF STOCK.

Quoting the Stock Exchange Year Book—1915, page 289.

Voting power, two votes for each £100 of ordinary stock, and Northern 4 per cent debenture stock, and four votes for every \$100 of preference stock, guaranteed stock and debenture stock, except Great Western 5 per cent debenture stock, which has no voting power.

	Issued.	Votes per £100.	No. Votes.
Four per cent Guaranteed Stock.....	£ 12,500,000	4	500,000
First preference stock (5%).	3,420,000	4	136,800
Second " (5%).	2,530,000	4	101,200
Third " (4%).	7,168,055	4	286,720
Total preference stock.....	£ 25,618,055	.....	1,024,720
Ordinary stock.....	23,955,437	.....	479,108
	£ 49,573,492	.....	1,503,828
<i>Debenture stock—</i>			
5% Grand Trunk.....	£ 4,270,375	4	170,812
5% Great Western.....	2,723,080	.....	.....
4% Grand Trunk.....	24,624,455	4	984,976
4% Northern.....	308,215	2	6,164
Total debenture stock.....	£ 31,926,125	.....	1,161,952
Grand total, stock and debenture stock, votes.....	.....	.....	2,665,780

